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AN INQUIRY

INTO THE

CAUSES AND MODES

OF THE

WEALTH OF INDIVIDUALS ;

OR THE

PRINCIPLES OF TRADE AND SPECULATION
EXPLAINED.

IN TWO PARTS.

BY

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PREFACE.

How far the Author has fallen upon, or the following treatise contains, a new science, must be left to the decision of the reader. At the same time, he may venture to say, that little or nothing is to be found on the subject in books. It is true, there is nothing exactly new under the sun, and some of the principles contained in it will be found but maxims current among the best informed practical men. This, however, he humbly apprehends, instead of being an objection, will be deemed a recommendation; all true systems being made up of common and vulgar notions. The novelty consists in the combination; the verification in the reference to acknowledged facts and admitted axioms. Thus, the law of attraction, which Sir Isaac Newton generalized and applied to the government of the planets, is that which is acted upon every day in the most ordinary transactions of life; by which a mason plumbs, ascertains the perpendicularity and security of his work, an apothecary pours liquids from one phial into an-

other, a grocer weighs his tea and sugar. Others of the author's positions, again, may be sufficiently new to be startling or deemed paradoxical. But in the present day, so much characterised by freedom and independence of thinking, he is not afraid of being denied a candid hearing.

He may more particularly observe, that what is laid down in the following pages as the second, and as he conceives the distinguishing, principle of trade, is not noticed by Dr Adam Smith, who is properly regarded as the greatest authority on the subject of Political Economy, nor by any other writer so far as the Author is acquainted. With regard to the third, Dr Adam Smith justly observes—"The dealer who can employ his whole stock in one single branch of business, has an advantage of the same kind with the workman who can employ his whole labour in one single operation. As the latter acquires a dexterity which enables him, with the same two hands, to perform a much greater quantity of work ; so the former acquires so easy and ready a method of transacting his business, of buying and disposing of his goods, that, with the same capital, he can transact a much greater quantity of business ;"—which the Author conceives to be, with explanation, the chief reason on which that principle is founded, although not perhaps the sole.

As to speculation—all that is to be found in Dr Adam Smith's work on the subject, is the following

very vague passage; containing a jumble of ideas, in which, amidst much confusion and some inaccuracy, he stumbles on things the importance of which he was by no means aware of. "Sudden fortunes, indeed, are sometimes made in such places," (great towns,) "by what is called the trade of speculation. The speculative merchant exercises no one regular, established, or well-known branch of business. He is a corn-merchant this year, and a wine-merchant the next, and a sugar, tobacco, or tea merchant the year after. He enters into every trade when he foresees that it is likely to be more than commonly profitable, and he quits it when he foresees that its profits are likely to return to the level of other trades. His profits and losses, therefore, can bear no regular proportion to those of any one established and well-known branch of business. A bold adventurer may sometimes acquire a considerable fortune by two or three successful speculations; but is just as likely to lose one by two or three unsuccessful ones. This trade can be carried on nowhere but in great towns. It is only in places of the most extensive commerce and correspondence that the intelligence requisite for it can be had."

How faint a glimpse Dr Adam Smith had of the subject of the paragraph above quoted, the Author flatters himself will appear in the following pages. Many other principles contained in them, will be found to be as novel as he trusts their accuracy is be-

yond question. He, however, by no means pretends in the following simple sketch to have exhausted the subject, or gone into all the details of which it is capable. Nay, there may be, and most probably are, principles belonging to it which have escaped him; a subject which appears to him so completely new and unnoticed. But he shall be satisfied if he has given hints or laid a foundation for something more perfect to follow. And, in the mean time, he is hopeful it may enable the inexperienced to avoid some serious mistakes, and give a general view to all of a department of science hitherto, if in any measure, very little cultivated.

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INTRODUCTION.

POLITICAL ECONOMY is the science which treats of general or national wealth, general or aggregate as distinguished from individual, as the term Political implies.

This science is directed chiefly against, or has reference to the *errors* of statesmen or legislators, as connected with trade or the industry of mankind ; and, however extensive, intricate, and perplexed in its details, is, like most other sciences, few in its general principles, and simple in result, coming uniformly to the conclusion, that all legislators can do for trade is to let it alone. Remove all monopolies, prohibitions, and restrictions, and its importance is at an end. This is its invariable and infallible termination. Were a person to write a hundred books on the subject, it has been observed, they would all come to this conclusion.

It is, therefore, in a great measure a negative science, teaching little or nothing towards or in aid of the productive powers of man, but merely tending to instruct or counsel those intrusted with, or rather who assume, the superintendence of their affairs, not to counteract their endeavours. Yet it is not the less important on this account, if we consider the general and sweeping nature of the errors of statesmen and kings, and the completely nullifying and positive effect of prohibition. As it is negative in one shape, so it is positive in another.

Political Economy does not indeed appear entirely a negative science, because it in some respect touches on the con-

duct of individuals as regards productive labour and the transactions of trade; yet, so far as it is to be considered as teaching them any thing, is it, with little exception, really and truly so; and, in this respect, may be considered what philosophical criticism is to works of genius, the Poetic of Aristotle to the Poems of Homer, merely a generalization or description of facts already in existence, giving no aid or facility whatever to their production. Thus the merest artisan knows that it is better to employ a neighbouring artisan than to exercise two trades himself; and pin-makers did not learn the wonders of *the division of labour* from Dr Adam Smith, but he from them. The most ignorant also is perfectly aware, that it is most advantageous to buy cheap and sell dear, and will give you the whole theory of value in the maxim—"The value of a thing is what it will bring."

Part of Political Economy would seem also little more than mere matter of curiosity, attended with neither apparent advantage nor disadvantage to mankind, or which can be perceived to arise directly out of the subject. Thus, of what importance is it to know the causes which regulate *wages, rents, profits*, if we have no control over such causes, and can neither raise nor lower them artificially or at pleasure; if they remain fixed and unalterable, independent of any determination or interference of ours? These are questions similar to, or which rank with those concerning the size of Jupiter or Mars, or the distance of Saturn or the Georgium Sidus from the Sun; the utility of which, beyond their adding to the stock of analogy, and furnishing an exercise for the mind, is, to say the least of it, in any point of view, of a very remote and contingent kind. The same applies in a great measure to all disquisitions concerning the *accumulation, circulation, division, and employment* of stock, which are nearly if not altogether, descriptions of things as they are, and must be, or which inevitably take their own course, and remain in the state in which we find them—except so far as the governing are concerned, where Political Economy is

admitted to have a beneficial result, and on which therefore it must always be of importance to promulgate just ideas.

It is also to be remarked, that, in all treatises of Political Economy, the conduct of individuals as regards productive labour and trade is scarcely ever, except so far as above mentioned, so much as alluded to, but its perfection almost uniformly taken for granted ; or if at all alluded to, it is in the terms that their own business “ may safely be trusted to their” own “ discretion ;” and, in fact, on this the celebrated “ *laissez nous faire*,” which is thought to comprehend the whole science, proceeds. Mankind, however, commit great and frequent *errors* as individuals, although these errors are of little account as compared with those of their rulers ;—independently of the general and comprehensive nature of the latter, there being this difference between them—

1st, That individuals, in common language, profit by their errors, or correct their conduct by their experience ; statesmen, it would appear, never. Those, therefore, of the former are temporary and occasional ; those of the latter, if we consider how seldom they are driven from them, and the exertion it requires to drive them from them, may be said to be general and permanent, and, but for a recent unwonted fit of liberality giving an earnest of better things, might be pronounced eternal.

2dly, All the errors of individuals are not attended with a loss to the public ; often operating only as a transfer of wealth from one individual to another. Thus, if a person pay more for building a house than he should have paid, there is nothing lost to the public—only the mason and carpenter have what he should have had.

And, lastly, it may be added, such is the desire of individuals to better their condition, that, in spite of a thousand blunders and losses, they will press forward to their object, if not absolutely prohibited by the regulations of their governors, or if the fruits of their industry be not taken from them by the operation or in the shape of taxes as fast as created.

Although the errors of individuals are thus of less importance or more easily corrected than those of their rulers, yet it does not follow that they have not a considerable importance; and such as they are, it will not be disputed that it would be desirable to avoid them. So far, therefore, as they are overlooked, Political Economists, or more correctly Economists, have overlooked a whole science; of which, indeed, not only they have taken no notice, but even those who have written expressly on the subject of trade. Thus, Sir Josiah Child has written a book on trade; which consists in telling us what value we export to, and import from America, the West Indies, Canada, the Bermudas, and such like. And this he calls writing on trade. It may indeed, be the statistics of trade, but touches none of the principles of trade; and, with the exception of a dissertation in favour of the Usury Laws, alone sufficient to shew his good sense on the subject, his book contains nothing of the kind whatever.

To supply this defect, or contribute something towards teaching a system of trade in a strictly private or individual sense, or how to avoid those errors to which it is liable, is the subject of the present treatise. And, as in all systems of Political Economy, (even in *The Wealth of Nations*, where no pretension is made in this respect to instruct or improve the productive powers of man, unless indeed it be with the solitary exception as regards Banking,) it is taken for granted that the conduct of individuals is perfect, the compliment is here returned to statesmen and legislators, and it is taken for granted that there is no such thing as monopolies, prohibitions, or interferences with trade whatever—no taxes imposed but for the sake of revenue, and even these moderate. Or, in other words, such topics are left to the discussion of Political Economists.

PART I.

TRADE.

SECTION I.

TRADE OR EXCHANGE—THE NATURE AND EFFECTS OF.

All trade consists in *the exchange of things of different kinds* ; and the advantage arises out of this difference. To exchange a pound of bread against a pound of bread, or an ingot of gold against an ingot of gold, it is observed would be attended with no advantage ; it would be a mere waste of time and trouble ; and although neither party would lose any thing, neither party would gain any thing by the transaction. But when a person exchanges the superfluity of any commodity, or that which he possesses of it over and above what he can consume, or apply to his own purposes, for that which he wants or desires, he gives away what is really of no use to him, for what is. Here each gains by the mere exchange, or converts that which is worthless to him into that which is useful ; and hence trade is advantageously contrasted with gambling, which consists in a mere exchange of money for money, and in which one party can gain only by the amount, and so far as another loses. The advantage of this exchange or of commerce, is by nothing better illustrated than by the transactions which took place between the first discoverers of America and the natives. The Spaniards were astonished at the simplicity

of the Indians in parting with their gold ornaments for what they deemed trifling articles of European manufacture, and exulted in the great profit they made by the exchange; not adverting to the circumstance, that as the articles received by the Indians were equally rare to them, they would be equally prized, and indeed, so far as in a sober sense use is considered, might more rationally be so. Here, in reality, the gain of each party was great, or rather enormous, as arising out of an extreme novelty, if not of articles on both sides, at least of circumstances. Such, therefore, is the nature of commerce, that, like charity, it blesses both parties.

It is true, where society has reached a certain stage of refinement, *money* is always that which is exchanged against goods in the transactions of commerce, but here money (understanding the term in its strictest sense) is merely representative or symbolical; an instrument by the intervention of which one commodity is exchanged against another. As to paper money, it is truly the shadow of a shade, dependant upon the faith put in the responsibility of the issuer, and representing metallic specie, which again represents commodities. *Coin*, on the other hand, or portions of the precious metals bearing a stamp, which indicates or certifies their quantity and fineness, contains an intrinsic value, which maintains itself in every quarter or region, without reference to, or independently of, any faith put in the responsibility of the issuer, and really and actually is in itself property, so far as it is bullion. But still in this form, the precious metals are considered solely representative of other value or certain quantities of commodities, and confined merely to the purpose of being transferred from hand to hand as so symbolical or representative; by their concentration or great worth in small space, indestructibility or capability of endless division without injury or loss, as well as a certain fixedness in amount, which belongs to them, the proper standard of value—valuable themselves, and

measuring the value of all other things. And it is easy to understand, that by means of what is called their *circulation*, or repeating the process of representation, a small value in them, may be made to stand for, or come in the place of a great value in commodities.

The effect or importance of the difference of things, is the different purposes to which it renders them applicable, the uses they serve, the arts they minister to ; for, in the now state of the latter, there is no one thing which, by its peculiar qualities or their modification, kind or degree, be they whatever they may—in its nature compressed or bulky, fine or coarse, smooth or rough—from the precious ore to the rude mineral, the elastic cork to the brittle glass—as well the rigid metal as the soft wool, the gross pitch as the volatile ether—does not, on one occasion, or for one object or another, come into demand. But the relative or exchangeable value of things depends nearly altogether upon, or is regulated by, the mode and proportions in which they are distributed ; in other words, the difficulty or facility of obtaining them.

From the difference of climate, therefore, on the surface of the earth, it happens that different commodities can be reared only in, or are peculiar to different countries, or are more advantageously reared, or with a less amount of labour, in one country than in another. Certain metals and minerals are also to be found only in certain localities, or are more abundant, or found in greater perfection, in one locality than in another. Add to this the different walks of industry into which these lead mankind, together with those which result from accident, or a train of circumstances beget, and we have the materials and necessity of exchange ; the multifarious articles of commerce, by which the comfort and convenience of mankind are secured, the taste for variety is gratified, industry is stimulated, the circle of ideas is extended, and our nature and habits are exalted and refined ; all, in short, that the manifold wants of a complicated state

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of society render necessary. The stock of these commodities possessed by the inhabitants of different climes over and above what is necessary for their own consumption, is accounted of no value farther than it can be exchanged, and immediately ceases to be reared or produced when it can no longer be so, or the inhabitants of other climes have nothing to give in exchange for it; so that, as the riches of one country are the riches of another, does the poverty of one country become the poverty or means of poverty of another.

What different climates are to different countries or nations, *different professions* are to individuals, and distance and position are the same to both. Each devotes himself to a particular branch of industry, or cultivates in an especial manner a natural talent common to all, and in that branch of industry or natural talent, he excels all others who do not cultivate the same talent; yet the whole amount of his industry consists in rearing, manufacturing, or collecting that for which he himself has no use, or very little use, and which he is never better pleased with than when he gets quit of for an equivalent. The great object of a farmer is to dispose of his grain, of a manufacturer of his cloth, of a shoemaker of his shoes; the business of a lawyer is to devote his skill to the care of the property, of a physician to the health of another, and the prosperity of either is estimated by how far his time is so occupied. Hence the value of *demand*, of employment to all; and, of course, the steadier, the more regular this demand, the more it is in itself prized, as affording the more certain return or reward for labour and exertion; besides, that it enables a person more exactly to regulate his industry or prepare the supply, which is a matter well understood and duly estimated by all men engaged in trade or business.

SECTION II.

THE FIRST PRINCIPLE OF TRADE.

The value of a steady demand being as stated, the first principle of trade, or of buying for the purpose of selling again, if we consider the relation between the means and the end, that end being profit or gain, undoubtedly is—to *supply a regular and known set of customers*. These, it is the great object of every trader or tradesman to get and to keep; and, in fact, in London they bear a regular price, what is called *a business* there being always marketable and saleable, and transferable like an estate. Although often confounded, or in conception mixed up together, this forms one chief and distinguishing characteristic between trade and speculation, as will afterwards be seen; a speculator giving himself little trouble about customers, and in fact often sacrificing them entirely, and from the nature of his business being necessitated to do so.

The supplying a regular or known market, must come under or be included in the same description or definition; and perhaps also even chance custom, as, although in this latter case the same quantity of goods may not be sold to the same customers, it must be known with almost the same approach to certainty as in the others, not only that a given quantity will be sold in a given time, but even what are the nature and quality of the goods so to be taken off or disposed of—thus amounting to or establishing a degree of regularity sufficient for individual guidance. Or if such shall be viewed as an exception from or modification of our maxim, and an exception it certainly is, forming as it does but a small portion of trade—it is obvious that it is not, nor is it ever deemed to be, the most desirable or the best.

The principle thus laid down, may indeed be considered of a nature too obvious and familiar for the formality, or to be ranked under the head of science. But in the first place, the familiar or well known nature of a thing can never diminish its importance. Secondly, every thing familiar, or seemingly well known, is not really well known. To know or understand a principle properly, we must know the exact amount or importance of that principle, how far it extends, and where it stops; it is connected with other principles, or is to be distinguished from them. And, thirdly, all science consisting merely in or being composed of arrangement, as exhibiting sequence, or the dependance of one thing or fact upon another, the present principle is of the utmost importance—as will afterwards appear, from the frequent reference which will be made from other principles to it, of so apparently simple a nature, as a basis, or shewing how they (less obvious but of great importance), arise out of or are involved in it; for a justification or illustration of all which, we have only to refer to *the division of labour*, which, although from the nature both of man and things must have been acted upon, or in familiar practice, for centuries before political economy ever was written upon or thought of as a science, or indeed as soon as society began to be formed, yet nevertheless makes so great a figure, and forms so important and fundamental a principle in all works on that so highly interesting subject.

SECTION III.

THE SECOND PRINCIPLE OF TRADE.

The second principle of trade is certainly not less characteristic of trade proper, or as contradistinguished from spe-

ulation, than the preceding, and may even be considered more important, as being less obvious, and so far as the mere detection or discovery is concerned, this importance its obscurity or more hidden nature must always tend to confer, whatever part it forms of, or rank it holds in, our theory.

It may be shortly stated to be—to *buy and sell always at the market-price*. It is true, generally speaking, a person can buy or sell at no other price than the market-price. To prevent misapprehension, therefore, it may be necessary to mention, that what is here meant by the market-price is the *present* market-price; that, in the case of either buying or selling, a person is to wait for, to look for, or be influenced by the expectation of no other. This, however, will be best understood by an instance, and this instance is to be found in a shopkeeper. He is, in fact, the only one who acts invariably and regularly on the principles of trade, who never keeps up his goods and refuses to sell because they have been bought or laid in high, but who sells always whether the price be high or low. And this he is induced to do, not so much from reasoning, or any distinct abstract understanding on the subject, as the instinct (blind, it may be, but unerring) of keeping his customers, which he feels to be essential to his business. For this purpose, an occasional or temporary sacrifice will be made, in the knowledge or belief that it will eventually be compensated, and a gain upon the whole obtained or secured.

It follows from what has been said, that no man is here ever to buy or order, at hap-hazard, on guess or conjecture, without knowledge of a market, but only what and so far as is wanted; as his trade justifies, and business demands.

Thus are we led to the proper rule of conduct in trade. This is, as we have said, to supply a set of customers, laying on upon the commodity, or charging them in addition to prime cost, a certain sum called Profit, which comprehends the shopkeeper or trader's gain, or the benefit he derives from his business;—this sum, it is always understood, being

included in the market-price, and must necessarily be so, if our rule be generally observed.

The principle thus laid down obviously extends to the merchant who exports and imports, as well as the manufacturer. A merchant may confine himself to supplying a set of customers, and so may the manufacturer, or a known or particular market, or regular demand, which is the same thing. The one is to buy or send off no more than his customers require, and the other to cease manufacturing when his demand stops. Even a grain-merchant, whose trade is considered among the most irregular, or liable to fluctuation, may do the same. As the shopkeeper supplies his customers, so the grain-merchant may supply the distiller or the miller, as the distiller does the gin-shop, and the miller the baker; and, in fact, this is exactly what does take place among those who best conduct their business.

SECTION IV.

THE THIRD PRINCIPLE OF TRADE.

The first principle of trade, we have said, is to supply a certain or known set of customers. Out of this, the second—to buy and sell always at the market-price—naturally arises, or from it necessarily flows or follows.

The third is—to deal always in the same commodity or set of commodities; which, indeed, seems to be implied in the first, as the same customers having, in all probability, the same wants, the supplying of them will, in all likelihood, lead to an iteration of operation. Yet it is also in a great measure founded on, or aided by another principle—the necessity of equallizing the fluctuations of trade, more particularly to be afterwards explained.

The shopkeeper, who, we have said, is the true model of a trader, always acts upon this principle as well as those already mentioned, and it is equally the interest of the merchant to do so. Thus, if he import tar from Archangel, hemp from Riga, or iron from Gottenburgh, every year, or regularly, he must ultimately get a profit or payment for his labour, otherwise it comes to this, that such articles are not wanted, or that Archangel, Riga, or Gottenburgh are not the places to import them from, it being an understood maxim in trade that whatever is wanted must and will be paid for. In conducting himself in this manner, he will drive those who only occasionally import out of the market; for, supposing a loss at one time, it must be compensated by an equal excess of gain at another, an advantage which the occasional importer has not. The way, however, in which a merchant too often acts is this. He ascertains the price of tar at Archangel, or hemp at Riga, and compares it with the price here. If the price is much higher here than at these two places, he, in his own phrase, considers it a good thing to import; not advertent to the circumstance, that others may be doing the same thing, tempted by the same lowness of price in the one place, and highness in the other; so that by the time the commodity arrives, it has fallen in the market—thus acting on chance, instead of having the security of a general principle.

The chief or great advantage of this our third principle of trade, viz. dealing always in the same commodity or commodities, or, as Dr Adam Smith has it, “a dealer employing his whole stock in a single branch of business,” must, as he states it, be the superior dexterity or facility in the particular line consequent, including a knowledge of what is wanted, that is not only the commodity, but the quantum of it;—of the best markets, the best customers;—the establishment of agents, correspondents, &c. whose integrity, capacity, and punctuality have been proved by experience. It is this, indeed, which enables him to undersell those who

do not possess the same skill and knowledge, to compete with those who do, and always to realize a profit.

Hence, when trade has made its greatest advances, and comes the nearest to perfection, such divisions of the profession as the Russian merchant, the American merchant, the Dutch merchant, the timber merchant, the fruit merchant, &c.

The equalization or balancing of whatever contingencies or accidents arise in trade, the oscillations which must and do arise in it, as explained in a succeeding section, is a separate and additional, though still a subordinate advantage. Yet it is by no means inconsiderable, a person being by it, while he misses one demand, always enabled to meet or take advantage of another, as will afterwards appear.

SECTION V.

THE FOURTH PRINCIPLE OF TRADE.

The fourth principle of trade is—to suit the supply to the demand: that is, chiefly as regards quantity, leaving *quality* and *kind*, as of too obvious a nature to require explanation, to be understood.

This principle is also in fact, as will at once appear, included in or closely connected with those preceding, and, as must have been observed, has been a good deal anticipated in their discussion, it having been found impossible to afford them the necessary explanation without doing so.

It is, in truth, like the first, very simple and obvious in its nature, and scarcely required to be made a separate section, (although it is only by division that a distinct articulation of members is to be attained), had it not been for some important consequences founded on or arising out of it,

already in some measure noticed, and to be afterwards more fully explained, affording a principle of trade apparently of more importance than itself, at least which is less obvious, and therefore apt to escape a person, and from which reference to the present will be made. It will then be seen that whatever the simplicity of the present, this does not prevent its frequent misapplication; nay, that such misapplication is, to a certain extent, a circumstance unavoidably connected with it.

Such, however, being its nature, we have in the mean time little to add in explanation of it in addition to what has been already said. The future demand can indeed be ascertained only by the past or present. Thus, if a merchant has sold a certain quantity of seeds, flax, or hemp this year, he may reasonably conclude that the same quantities of these will be wanted next year, and give his orders accordingly. So also a shopkeeper is to take his present sales as the criterion or measure of his future, or conclude as he sells now, he will continue to sell, making allowance in certain businesses for greater or less demand at different seasons, and providing himself accordingly. And the more exactly always the supply is adjusted to the demand, the more exact always must be the management or the less the waste of means;—the more correctly in fact a person adheres to this fourth principle of trade, the more correctly always does he adhere to the three first, and fulfil the duties of his avocation;—still, however, without a scrupulous and minute regard to exactness being understood.

It will not fail again to be remarked that, adhering to the third principle of trade, that is, dealing always in the same commodity or commodities, contributes in a peculiar manner to enable a person to adhere to this; but, in fact, the whole enumerated stand very much in the relation of mutual axioms or propositions, so that from any one all the others may be inferred.

It is, however, perhaps impossible to avoid mixing up

something of the rise and fall of prices with the most regular trade, and the loss or gain thereby occasioned, or to prevent having a greater stock on hand than the exact wants of customers warrant. A shopkeeper must, in fact, always have more on hand than literally or exactly his immediate demand requires. He must have a certain stock on hand. He is, therefore, always to buy less of the commodity or commodities in which he deals, a manufacturer of the raw material as they advance in price, more as they decline, in truth when very high never more than is sufficient to keep him going—for reasons to be afterwards more particularly explained when the article Prices comes to be discussed—yet never losing sight of the object of supplying the customer, which is the root and foundation of trade, and for which purpose an occasional sacrifice may properly be made, to be compensated in the course of the future. The caution here inculcated is the more necessary, as the manufacturer is often too eager in buying when he perceives the raw material advancing, fearful of want, or anxious in his own phrase, to fill his hands before it has reached an enormous price.

Lastly, as supplying a public market with a particular article or such like, has been ranked under the head of supplying customers, it will of course require to be attended to in the same manner as any other business, if it is desired that the person should continue to be known in the market and the business kept up.

These we would call the main or leading principles of trade. There are, indeed, other minor principles of no small importance included in or connected with those which we have laid down and attempted to establish, to which we come now to advert. But all beyond belongs not to the principles of trade, but of speculation, which also has its principles as well as trade, and of which likewise there is a true and false, as we shall afterwards endeavour to shew in Part II.

SECTION VI.

PROFIT.

There is no such thing as *profit* in the common or vulgar sense or acceptation—that is something obtained for nothing. Value must always in one shape or another be given for value ; and whatever may appear all trade, as well among individuals as among nations, consists in or resolves into an exchange of equivalents, of which money, as already said, is nothing more than the instrument. Properly understood, therefore, profit must signify the addition made to price on account of labour or capital employed in a particular trade or business. This on analysis is the only rational meaning we can attach to the term.

Thus the profit of the shopkeeper, which is always *par exemple* profit, is but a just and equitable payment for his skill and knowledge of goods, (not to be acquired without time, study, and expense, and of which his customer has the benefit,)—trouble in buying, attendance on purchasers, capital embarked in business, shop or warehouse rent, risk as well in selling as of not selling, loss by storing, &c. And the same will be found to hold in or run through all businesses and professions whatever, nothing ever being given but in return for as much received.

The truth is, every thing acquired or obtained must be laboured for, in one shape or by one person or another ; and if the labour be little, so generally is the reward or profit. One person may indeed obtain a higher remuneration for his labour than another, or there may be a greater demand for a particular species of labour at one time than at another, but this depends upon circumstances which do not affect the general principle. It is difficult also to estimate the

comparative difference between the value of different kinds of labour, where more or less preparation is required or capital is embarked in education, or skill or talent is called forth; between that of a blacksmith and a lawyer, a soldier and a divine, a minister of state and a physician, a judge and an opera singer. But the value of a thing is always what it will bring; and wherever a payment is made, adequate service must be understood to have been rendered or value given in one form or another. And in this way the public can always confer or give a value to any thing; explaining in a certain sense the maxim that the public never err in their estimate of merit—that is, their approbation creates the merit which it stamps. Yet it is not easy to conceive what value could have been given for the enormous fortunes some servants of the East India Company bring home with them, so inconsistent with the powers of an individual, or any services which he could perform, which must ever be very limited. The fact seems to shew a great difference in the reward for labour in one place, as compared with that which it receives at another, unless it be that a person who goes on duty to an inhospitable climate is to be liberally paid for the risk he runs, and the certain sacrifice in health which he makes, and for which money can scarcely ever form a compensation,

Capital, it is true, may furnish a revenue to the owner without any labour upon his part, but that revenue is commonly produced by or arises out of the labour of another, and from the wages or amount of which labour it is generally understood to form so far a deduction; and it must not be forgotten, that capital itself is merely the savings out of labour, if not that of the owner, that of another from whom it is derived;—in the first instance merely a product, in the second it may be an instrument; valuable in so far as it represents labour, and no farther. Even in the shape of machinery, a steam-engine for instance, it still, when at work with all its mighty powers, expresses in an exchangeable or mercantile

point of view merely the labour in various forms embodied in its construction, (not the final result,) which, whatever may generally be thereby gained as superseding or discharging necessity, (if in a refined or philosophical sense any thing really be gained, as it is found to be a law of human nature, that as one want is extinguished, another is always generated,) is, in truth, its exact cost and value ; so that whatever bears estimation among mankind, or brings a price, seems to be the fruit of the labour of persons, not the produce of things.

Without, therefore, in a work like the present, going into the question raised by Dr Adam Smith, whether the soil be productive without or beyond the labour of man, the eternal changes which he rings on "the land and labour of the country," or agriculture be more profitable than any thing else, an opinion contradicted by all fact, as well as general reasoning, and where his sagacity or acuteness seems to be at fault, blemishing or deforming a great performance, it may be sufficient for us to state, that, so far as we can judge or form an opinion from a review of all circumstances—there appears no magical creation of value without labour, direct or indirect, in any mode or form whatever ; exchange without adequate worth in this single quality or simple element given and received, bating cases of the exercise of superior sagacity, or of folly on one side, or of fraud on the other, which must be reckoned with gambling, where one man loses exactly by what or as much as another gains ; and, in fact, it has been observed, that the labour of cheating is as great as any other. Yet is the term profit, as commonly used, a sufficiently convenient one, as signifying revenue derived from the use of capital and labour mixed up together, or the one representing the other ; and we are not, therefore, to quarrel with it, provided value be understood. For even where, for the purpose of science, it becomes necessary, as in the *Wealth of Nations*, to distinguish the profits of stock from rent, wages, and the interest of

money, this is only to view labour in its articulate forms, immediate or remote ; the revenue derived from the employment of stock, as well as rent and the interest of money, being still merely an indirect payment or value given for that for which wages is the direct.

SECTION VII.

THAT TRADE MUST ALWAYS YIELD A PROFIT.

We have said, that the inferior or subordinate advantage of our third principle of trade, is, that it equalizes the fluctuations of price, or makes up for the loss sustained at one time, by an extra gain received at another. But on the maxim, that whatever is wanted by the public must be paid for, it is not exactly consistent with general principles to anticipate a loss even in a particular case in trade ; but on the contrary, a profit, as already hinted at, is always to be calculated on, or must be obtained. This profit has, in fact, nothing to do with prime cost, or the original or intrinsic value of goods, or any change which it undergoes, farther, than that the former bears a certain proportion or relation, (the common,) to the latter ; but is a sum added to prime cost or first price, the same generally speaking, in proportion or relation to it, whether that price be high or low. In other words, profit, on the general principle, is always the same, whatever be price ; keeping its place like an incumbent body on the swelling or sinking tide. As, therefore, prices rise, a tradesman raises price ; as prices fall, a tradesman lowers price ;—that is, as they are raised or lowered to him, he raises or lowers them to his customers. So little interest, indeed, has a tradesman in, or so far is his profit unconnected with, or separate from the price of his commo-

dity, that a shopkeeper will say to his customer, "I would not advise you to lay in a stock of sugar just now, for sugars will be down;" or (what is not so obviously disinterested), "I would advise you to lay in a stock just now, for sugars will be up."

This is the true theory of trade; for every person who enters into trade expects to live by his business, and must do so, or he will soon leave it—the artisan to be paid for the value he has added to materials, the shopkeeper for the expense and trouble of collecting and keeping a stock of goods for the supply of customers.

That generally, or on the whole, a profit is received or obtained on trade, is certain. The loss at any time, therefore, must always be *an exception*, confined either to a particular member of trade, or a particular instance affecting that member. That this latter is nearly the whole amount, or includes almost every species of the loss of the tradesman, is apparent; and most commonly this loss arises from breach of contract or failure to pay on the part of the purchasers—that is, in other words, from the great curse of trade, bad debts, but for which it would not seem difficult to conduct trade profitably. Occasionally, indeed, a loss may arise, or seem to arise, from a fall in the prime cost of the commodity, a loss which we shall afterwards shew is more apparent than real, or which is often balanced by a rise; if, indeed, this do not belong properly or essentially to another subject, viz. speculation, indicating here, always so far as it goes, whether unavoidable or not, merely a deviation from strict or proper principles.

If trade fail to yield a profit from any other cause, (want of attention or industry being excepted or excluded), the fair inference is, that the public are supplied, or do not stand in need of the services offered; and the fault must then be deemed to be, not in the trade but in the tradesman. In fact, this is a mode of reasoning which must be held to explain every loss which occurs in the course of trade,

(barring accident and bad debts, already mentioned), and, if admitted, leaves the general principle without exception.

The conclusion therefore is, that every necessary trade, (properly managed,) must or does yield a profit, and when trade ceases to do so it ceases to be necessary. It were indeed a contradiction to suppose otherwise;—where trade is, profit is; where profit ceases, trade ceases. There it has its end; and the termination of the former is always, or should be taken for, an indication of the termination of the latter, or where it ought to stop.

SECTION VIII.

ONE BUSINESS NOT MORE PROFITABLE THAN ANOTHER.

By conducting his business or trade on the foregoing principles, the conclusion, on the rule above laid down, that whatever is wanted by the public must and will be paid for, is, that a person may always obtain the average or common profit on trade received at the time in the community. More he cannot obtain; for this simple reason, that if any one particular business pay better than another, it will attract capital till it be reduced in point of profit to the same level as others. Like water, no one part of capital can be kept higher than another, unless by force and constraint, when surrounded by the dikes and mounds of monopoly, but spreads itself in equal depth and to the same advantage over the community. This is a well known and invariable law of trade, in constant operation, which has the effect of putting the whole trading world upon an equality, of doing justice to all men, and making every one reap the same reward for industry.

When, therefore, it happens that any one business pays

well, another pays well ; when one pays ill, all pay ill. If, indeed, any particular business appears more profitable than another, we soon discover the fallacy of such an idea. Thus shipping would seem a sort of gambling concern, attended with great losses or excessive gains. But as to the gains, to which we shall at present confine ourselves, a very little reflection will go to satisfy, that the great returns it yields are required to balance the great hazards and expenses to which it is liable ; and this, we shall afterwards shew, they may be made to do without leaving extreme of any kind.

This, also, must be taken into account that a ship decays very fast ; when six years old, although she may have been kept in ordinary repair, being not worth much more than a third or one-half of what she cost when new. Add to this, that she must receive new sails every three or four years, and be new coppered every three, the old copper it is understood paying two-thirds of the new. Now this rapid decay also the freights must cover ; so that it may happen that while a person is dreaming his profits are very great, they will be found in the end to turn out very ordinary.

The same may be observed of steam-boats, where the passage-money yields enormous sums, which would seem soon to enrich the owners, did we not take into account the great original cost, and the constant heavy expense at which they are kept up. Many other instances of a similar nature will occur to the reader. But the subject is one which it is unnecessary to enlarge upon ; it being obvious, that in all cases, before we can strike profit we must count cost, and that when this is done the seeming is very different from the real.

The conclusion therefore is, as well from facts as general principles, that, with certain exceptions to be afterwards noticed, one business is not more profitable than another, but that at any given time or period the rate of profit in the community, nay in the trading world, may fairly be concluded very much the same.

SECTION IX.

ONE BUSINESS NOT MORE HAZARDOUS THAN ANOTHER.

If one business is not more profitable than another, it may fairly be assumed, or seems necessarily to follow on the rule laid down, that one is not more hazardous.

Thus we have instanced shipping as to profit, so may we as to hazard. This is a business attended with a great many contingencies, and liable to a great many accidents, more apparent or certain than those which belong to any other—of which shipwreck includes the chief. Now, in the first instance, with regard to the trade or generally speaking, all these freight must compensate or pay for; and, in the second, so far as the individual is concerned, they are covered or reduced to nothing by insurance; a device by which the loss is spread over all, or the whole trade is made to contribute to the loss of each individual member, affording at the same time a fair remuneration to those who take the charge and run the risk of equallizing the business, viz. the underwriters. Thus then shipping, which appears at first view a business of extreme losses or extreme gains, is reduced to one very sober, yielding a moderate return or per-centage on capital the same as any other, as well in mode as in degree.

This indeed is spoken of shipping conducted on the proper or true rules of trade as well as prudence. Nevertheless, we are far from disputing that it may be rendered a gambling business, or one of extreme gains or extreme losses, and so far as a person does not insure does he so render it. The great sum which he is tempted to save by not paying insurance, would not be afforded by or arise out of the business, if there were not great risk attending it. The expense

of insurance is, therefore, a charge on the business, and in the average which it establishes consists the whole security of that business. Hence insurance can never, on just principles, be dispensed with. Nor should the difference between summer and winter, a mild or a tempestuous climate, make any difference in this respect; for if there be less risk at one time or in one place than another, there is also less to pay for it; one thing here always running parallel with or being in proportion to another. The best time, also, to insure either a vessel or goods is before the vessel has left port; not in a state of alarm after bad weather has come on and serious danger been incurred, when a high premium is sure to be demanded.

It is indeed thought by some, that if a person has a certain number of vessels, or shares of vessels, he would do better not to insure at all, that is to become his own insurer. But it will be seen at once that he must be a very extensive ship-owner indeed who can compete with the regular underwriter, who may divide and multiply his risks to any extent he thinks proper. Suppose, for instance, a ship-owner to have seventeen vessels or shares and to lose one every year, he would be about safe without insuring, but nothing more. Thus, let us suppose the value of each to be £1000, the insurance 6 per cent. per annum, which, balancing the high insurance on the Baltic and coasting trade by the low to the East and West Indies, the Brazils and Mediterranean, will be about the general rate—the saving on insurance each year will be

Deduct for loss as above

£1020

1000

Difference for net saving

£20

But can it be said that his security rests on so wide a basis as if he had applied to the regular underwriter, who probably has some hundreds of risks afloat at the same time? The answer is inevitable, unless we suppose an extraordinary profit to attend sea-insurance, which is well known not to

be the case. We do not indeed pretend to fix the exact average duration of a vessel, but surely it can be no very extravagant assumption to suppose all the ships belonging to Great Britain to be lost within seventeen years; for it will be found if one outlive that period, that another has been lost and renewed more than once within the term.

We have said this much on insurance as it is a matter of great importance, closely connected with trade, and therefore necessary that it should be put in a proper light.

There is, however, in addition to shipwreck and the deterioration of the property, one risk which is not covered by insurance—that is danger from misconduct of the master in voiding the insurance, or occasioning collision with other ships, by which he may produce damage with recourse against ship and owners; and, properly considered, this is by far the greatest risk which ship-owners run. A ship-owner is also much dependent on the honesty of the ship-master, he being so much out of sight, and collusion with those who furnish him with stores being so easy to carry into effect and so difficult of detection. Yet, in addition to insurance, these also freights must compensate or cover, and leave over and above a profit equal to that derived from other businesses; otherwise the capital invested in shipping would speedily vanish or be withdrawn.

Another great risk which seems to attend shipping, and this in addition to the conduct of the master, is the time occupied in making a voyage; as it is clear that, if a vessel do not pay within the six years mentioned in the preceding section, she will not pay at all. If she makes a rapid voyage, she will leave a good profit on freight; if, on the contrary, she meets with much detention, she eats it up. The effect of such contingencies is, however, much more apparent than real; and it requires but little reflection to enable us to perceive that they must in the end balance each other. If a vessel is long upon one voyage, she will be a short time upon another. Besides, it is obvious in this respect no one

ship-owner has an advantage over another, and the trade must pay for whatever loss arises from delay upon the whole.

Insurance, particularly against loss by fire, would seem a very hazardous business, from the great sums insurers are often called upon to pay, compared with the smallness of the premium received on an individual property or risk. But from the great extent to which the business is carried, and the average which that extent establishes, it is reduced to one of a very equal tenor, yielding always a fair profit or per-centage on capital, and no more; wonderfully exact and uniform indeed considering the extremes to which it is subjected.

Grain-dealing, also, is thought to be a hazardous business, from the great fluctuation to which the price of grain is known to be liable. But we have already stated that grain-dealing may be reduced to a trade or business as regular as any other, that is admitting of a regular profit being added to prime cost where it consists in supplying customers, failing which, a sure sign that a grain-merchant or middle man is not wanted. Or if it be treated as a speculation on the difference of seasons, the great loss at one time must be compensated by as great a gain at least at another—if indeed we suppose such a loss, which it is not exactly consistent with our theory of speculation to do, as will afterwards appear.

The farmer likewise, it is well known, is a man of many perils, perhaps not less nor fewer than those which affect the ship-owner—from the difference of seasons, the variable-ness of the weather, frosts, wet, droughts, wind, vermin, disease, &c. The shopkeeper too is not without his mishaps; and if any one business has a particular advantage, such advantage is sure to be met with a corresponding and equal disadvantage, and *vice versa*; so as to bring the whole in this respect pretty much to an equality, and distribute an equal measure to all; an adjustment or balance between risk

and revenue being in the course of things ultimately brought about and established.

Therefore, as no one business can be said to be more or less profitable than another but as it is better or worse conducted or as greater or less exertion is used (of which more hereafter), so also cannot it, with the exceptions already alluded to, and to be afterwards explained, be said to be more hazardous.

SECTION X.

THAT AS TRADE INCREASES PROFIT DIMINISHES.

It is a well-known maxim that as trade increases the rate of profit (that is on each single or separate transaction) invariably diminishes; a person being always able as it extends to accept of less. Thus, let us take, for example, a small shopkeeper in the country;—he is obliged to charge high for his articles, they being so seldom called for and his sales so very limited, and after all his revenue is miserable. An innkeeper, also, in a remote district of the Highlands is found to charge enormously, and could not do otherwise were he to expect any compensation for keeping a stock of liquors and provisions, where a traveller is so seldom seen and customers are so few in number, or his house is visited only during a few months in summer.

In the infancy of society it is the same;—the absence of trade occasions the absence of competition, and the greatness of profits is in proportion to their unfrequency. Thus Hume remarks, that in the reign of Queen Elizabeth, if we mistake not, a single foreign voyage was sufficient to make a person's fortune, justly conceiving this, however, an evidence of the low state of trade, and how seldom such voyages must

have been undertaken. Tea was first imported by the Dutch East India Company early in the seventeenth century; and some imported by them in the year 1666 is said to have sold for no less than 60s. per lb. About a century ago the lowest price of tea was 12s. per lb., the highest 18s.; as may be seen by looking at the prices in the Gentleman's Magazine for that period. At present, teas may be had for a fourth part of this price; and the reduction is to be ascribed to a two-fold cause—first, the extended and improved commerce of Britain—and secondly, the extended cultivation in China, occasioned by the increased demand.

At this stage of society, too, shopkeepers are found to be lazy and self-willed, and shew none of that obsequiousness which is thought to characterize tradesmen; the poorness and worthlessness of their business having all the effects of independence. And of this we have evidence in some amusing anecdotes of the manners of the Edinburgh shopkeepers a hundred years ago. About this period, we are told, if a customer called while the shopkeeper was engaged in a game at backgammon with a friend, he was obliged to wait till the game was finished before he got the article wanted; and that it was no uncommon thing for the shopkeeper when he wearied of the confinement of the shop, to lock the door, and put a notice in the window—"Gone to the Meadows to take a walk." The same spirit, likewise, in the present day will be found to characterize shopkeepers, as well as artisans, in the country, who always treat their customers and employers as if they were the dependent party, as in fact they are. But, on the contrary, with the increased commerce of modern times, more particularly in populous towns, where the demands of luxury open so wide a field, a reward is held out for industry, the temptation of gain begets competition, exertion, and rivalry in skill, with the consequent effect of cheapness and the lowering of price; and no one dares to neglect a customer under the penalty of seeing the trade go to another. In this manner, the number of transac-

tions or sales makes up for the little gain on each, and an increased revenue is obtained with a diminished profit. As the means of communication with different places are opened up, facilities of carriage by sea and land extended, and the knowledge of productions increased, correspondents multiplied, stocks accumulated, and the great capitalists endeavour to run down the small—cheapness is still further promoted ; till trade reach its last stage of perfection and cheapness, when all men are obliged to exert themselves to the utmost, scarcely any but the best workmen can procure employment, and the smallest, lowest, profit comes to be obtained ;—a state of things seemingly calculated to give pain by refinement as barbarism does by rudeness and grossness, and in which we doubt if much is added to the happiness, whatever there may be to the splendour of society. This last stage of commerce was, indeed, particularly exemplified in the Dutch, who were long the first traders in Europe, and did business on a profit amazingly small ; yet by their industry and economy became a wealthy people, and made a greater figure on less means than perhaps ever did any other, at least in modern days.

We may therefore safely conclude, that uniformly as trade is little, profit is great ; that as trade is great, profit is small ; a compensation or balance between advantages and disadvantages being thus in some degree established, or arising out of the nature of things ; and the decay of profit is always to be held as a mark or proof of the improvement or advance of trade.

SECTION XI.

THE INTEREST OF MONEY—AS CONNECTED WITH TRADE.

At the risk of telling people what they know, it may be stated that the interest of money and the profit of trade have a strict correspondence, and bear an exact proportion; and as the one varies so on the great scale does the other. For it is remarked a person will not take a low interest for money if he can get a high rate of profit in trade, as on the other hand a person will not give a high interest for money if he can only get a low rate of profit in trade. In fact, interest is always paid out of the profits on trade, or on fixed capital turned to a profitable account.

Therefore, as the rate of profit on trade rises, interest rises; as it falls, interest falls; or as we find an alteration in the market state of the latter, so may we always observe an equal change in the current amount of the former. Interest is thus justly considered the true and infallible barometer of trade, the state of the one a sure indication and measure of the state of the other; for keeping in view that the extension of trade and the profit on trade are two different things, whatever may be the case on a narrow scale, on the broad, as trade declines profit and interest rise, as it advances both fall. The extension of trade has the effect of producing abundance of money, (stock to be lent at interest,) and the abundance of money has the effect of lowering the profits on trade. There is therefore a perpetual sympathy and regularity of action between them; a constant, mutual, and commensurate influence, which never fails to manifest and declare itself; and of this we have evidence in the most commercial people the world perhaps ever saw, the Dutch, already in this respect noticed, and who are ever so

far to be referred to as patterns, among whom not only have the profits of trade been the lowest, but so also as corresponding has the interest of money; and regularly as we approach the present day do we find the decline of both keep pace with general improvement and refinement in the arts, the accumulation of wealth, and progress of society.

That indeed the rate of profit and the rate of interest are inseparably connected, as standing in the relation of cause and effect to each other, is a thing palpable and obvious. It may be remarked, however, that men are for the most part too sanguine of the profits of trade, and are not sensible of the many drawbacks to which it is liable till they have tried it, or experience has convinced them. These profits never perhaps at any time, unless under peculiar circumstances, amount to more than what is necessary to cover labour and risk in addition to the common value put upon the use of capital where these are absent. Nor must we omit to mention, that many do not even make common interest on the capital employed in their business, without any addition for personal labour and risk, but lose by it; still desirous, however, perhaps of carrying it on in the sanguine prospects which the love of gain inspires, the hope fostered by the desire. It will, therefore, happen occasionally, or as an exception, for otherwise it cannot do so, that mercantile men give too high an interest for money.

On the whole, it seems to follow that the common rate of interest on mortgage, where the security is deemed absolute and there is no risk, is to be held at all times the true and exact value of the use of money, or of naked capital unmixed with extraneous ingredients or divested of all labour, and in fact it is so considered by all men, mercantile as well as others, who always make this the standard of their gain or loss in any adventure or undertaking, holding it as a fixed point or datum to reason from—the meridian from which they take their departure. For those, therefore, who are content to go forward in accumulation by slow degrees with-

out any chance of a retrograde movement, it is the most profitable mode of its employment of any.

SECTION XII.

THE OSCILLATIONS OF TRADE.

We have said that one business, as it is not more hazardous than another, so is it not more profitable. But this is to be understood of business in the general, and taken along with the fact, that each individual business is at one time more or less profitable, or pays better or worse than at another. That, indeed, a variation of profit as well as of price, to a certain extent, perpetually takes place or is in constant operation in each and all businesses, is beyond question. This may be considered a law of trade, subordinate indeed to, and leaving untouched even in its greatest extreme, the more general that a profit is always to be obtained on trade; because only one of degree. It is founded on and arises out of a breach of the principle already noticed—*adjusting the supply to the demand*; unavoidable no doubt, and resolving into the nature of things; and happens in this manner.

Thus, let us take for example any particular business—for instance, the tanning of leather. Tanning, therefore, we shall suppose is at the present period a paying business, or yields a good profit as compared with the general profits of business; a little better we shall say than others, or what is common. How this comes about will be evolved or appear in the course of the subject. The consequence is that there is a rush of capital to the business, or a great many persons are induced to become tanners, till the business is overstocked or overdone, and tanning becomes a bad business

and pays ill. In this state it may continue for some time; when capitalists leave it, and it again becomes a good business and pays well. Or, let us suppose barley to be scarce and dear this year. Therefore, says a farmer to himself, barley is dear this year, I will stretch a point and sow more barley next year than I did last. The same cause which operates with him operates with others, so that next year barley is cheap.

Another instance. In that part of the country where we reside, it happened, in consequence of the demand for pork as stock for whale-fishing vessels, that it became a good business to rear pigs. The result was, that pigs were reared in such numbers that the market was overstocked, and it became a bad business;—when most gave up rearing pigs, and it became a good business again.

The same must often take place with regard to cattle, particularly fat cattle; of which more will be reared when the price is high, fewer when the price is low. The price of young cattle is affected by a different principle, viz. the quantity of grass and turnips, or goodness of the season for green crop, in other words the keep for them—by which the greater or less demand for them as stock is regulated. This must also, in some measure, affect the demand for fat cattle, but in a less degree, because these latter are not so much purchased for keep as for slaughter. Independently, however, of any other consideration than price, there can be no doubt that there will be more young cattle reared in years succeeding those in which they are dear than in those in which they are cheap.

This is what we call the *oscillations* of trade, always indeed to be understood with the condition of the absence of all monopoly; and as most frequent and proceeding to the greatest excess where least capital or preparation is required, because a change is there most easily effected.

It follows that the proper mode is for a merchant to attend to his customers, a farmer to the rotation of his crops,

as if no such thing took place ; laying out of view altogether those alternations or variations which take place in price unless when excessive.

In this way he is certain to obtain a fair remuneration for his capital and labour ; and also, as already said, certain to obtain nothing more. The oscillations of trade will thus be found to balance each other, if a particular commodity or species of produce bear a low price at one time, it will come round to a high price at another, and *vice versa* ; and any attempt to obtain a higher profit than the average can only serve to lead to a false system, loss and disappointment. For if a person changes his plan or mode, he is almost certain to do so at the wrong time, or in the wrong way ; if a commodity is cheap, to raise or produce less of it, if dear more ; which is exactly the reverse of what he should do if he is to deviate from routine at all or proper anticipations would lead to.

This is what a knowledge of the oscillations of trade teaches us, and no more ; it teaches us to disregard them, so far as trade is concerned, (their connection with speculation being a very different thing, as will afterwards be shewn ;)—not to pursue or hunt after excessive profits in the one case, nor to be discouraged by temporary depreciations in the other. But this we deem highly important, as permitting or enabling a person to pursue or follow forth his business on its own peculiar and separate rules or principles, and what the third principle of trade is partly founded on—that *fluctuations compensate each other*.

It may however be objected here, that the rule of business with a merchant being to supply customers, with a farmer to follow rotations, the presumption is that such will be adopted. And that this is chiefly the case, must be conceded. Yet the fact that the oscillations we have described do take place, is beyond question. Consequently, there must be so far a departure from such rules ; and it will be seen at once where there is so little concert or combination as in the

trading world, (in truth often the reverse—competition,) it must be impossible so exactly to adjust the supply to the demand as that excesses and deficiencies will not take place. Independently of the ignorance which must ever prevail upon this as well as other subjects, arising from the impossibility of one man knowing what another is doing, more particularly where a person's business consists in supplying a public market, in which circumstances every trader must to a certain extent be held to be—to suppose the reverse would be to take for granted the perfection of human conduct—that all men act prudently and cautiously, which can never be done. If indeed one man cannot exactly adjust the supply to the demand in his own particular business, how shall the whole do so? Besides, supposing the supply to continue the same, the demand may not do so, which is sufficient for all the purposes of our theory.—Therefore do fluctuations, ebbs and flows or oscillations continually happen or are constantly taking place, to a greater or less extent, in each and all businesses.

SECTION XIII.

PROFIT AND REVENUE—TO BE DISTINGUISHED.

The distinction between profit and revenue, is never to be lost sight of. Profit, as commonly or vulgarly understood, is the rate of payment for the employment or use of any given portion of capital, or for any given portion of labour—revenue the income derived from capital and labour on the whole, be they small or great; net revenue, or that which remains after deducting all charges, it is to be remembered, being here always that which is referred to. Now it is clear that a small profit on a great capital, or a

small payment for much labour, may produce a greater revenue than a high payment on a small portion of capital, or for a small quantity of labour.

Thus, it is well known that it is not the highest tax which produces the greatest revenue, or brings the greatest sum into the Treasury. Neither is it the lowest, but that which goes farthest without checking consumption.

The same principle applies to trade. Cheapness must always have the effect of extending demand; and a greater revenue or return on the whole may be obtained by selling many articles or great quantities at a low rate, than a few articles or small quantities at a high.

And here, as the sole object of this work is to warn against errors, or to prevent those committed from being again repeated, we may mention one connected with this subject fallen into by a manager of a distillery, which came under our notice. He kept his price high; that is, endeavoured to obtain a higher price than the common or market price. The consequence was, he got chiefly for customers the needy and the desperate, persons of broken fortunes, with whom selling spirits in retail, at least in Scotland, is often a last resource, and had thereby a multitude of bad debts. This, indeed, he was aware was a necessary effect of his system; but reasoned thus with himself—that the extra price obtained from those who did pay, would afford or serve to compensate many bad debts. Supposing this, however, to have been correct, (which is more than doubtful), the result was far from being favourable, as his expenses came to be great while his sales were very limited. His successor acted upon quite a different plan, sold at a moderate rate, (the market-price); by which means he got for customers the wholesale dealers, men of capital, who bought large quantities, and paid cash or gave bills at short dates; so that he sold infinitely more to fewer customers, thereby saving expense, and with a less profit ultimately produced a better return on capital or stock.

Supposing, indeed, a person to enjoy a complete monopoly or exclusive trade, it would not be his interest to take the highest price or furnish the worst article, but, on the contrary, to furnish a good article at a low or moderate rate. So far, therefore, as he deviates from this rule, does he limit the consumption of his commodity, or drive the public to the necessity of finding a substitute or doing without it. And if he were to carry his avarice very far, he would put an end to his business altogether. A monopolist is indeed very much in the situation of a despotic prince, who has much in his power for good as for evil; and as the government of the one may be the best for the people, supposing him divested of all personal considerations, so may the management of the other for the public, if we conceive him properly to understand his own interest.

Where there is no monopoly again, the sure effect of high prices or bad articles is to start a competition. At the same time it is obvious, as already said, there is a point of cheapness at which a person must stop to obtain the greatest revenue. As in science so in the mercantile world, never more means should be used than are necessary to attain the end in view. All beyond is waste, loss, and so much thrown away. But this brings us to another view of the subject.

SECTION XIV.

COMPETITION.

From the mutual opposition of tradesmen, the endeavour generally is, on the principle laid down in the foregoing section, to obtain business rather than profit, that is a great business rather than a great profit, and hence to outbid each other in low price or cheapness. But as the object

still is to obtain a revenue through profit, it is obvious that this may be carried too far, and the end lost sight of in the means ;—to the extent of a cheapness which leaves no profit, and consequently no revenue. There is therefore a point not only at which a person must stop to obtain the greatest revenue, but any revenue at all ; and admitting that cheapness can never be increased without having the effect of extending consumption where there is a field—still whether there is or is not, must always prove a consideration, and without the latter the former would be worse than vain.

What wisdom indeed would seem to dictate is the balance of principles ; to unite the greatest profit with the greatest trade ; to aim at the very highest profit which does not injure trade. But this the jealousy or avarice of tradesmen, the greed of business, the perpetual endeavour to take it one from another, will not permit. Consequently, it may on the whole be said that competition, as the gain of the public, is the loss of tradesmen ; the conduct of the latter in this respect seeming often to resemble that of the inhabitants of a besieged town, who, in their hostility to each other, forget to guard against the common enemy.

This is indeed a subject of serious consideration to the tradesman ; for here his prosperity often does not depend upon himself. Whatever be his own conduct, he does not know what may be the conduct of another ; and in this respect no prudence of his own can guard him against the folly of his neighbour.

Thus let us suppose a tea and coffee dealer to be thriving in a particular street, from the extent of his customers—this is perceived by another person, who immediately claps down beside him, and opens a shop and undersells him, reducing prices so that they will not pay or afford the average profit on business.

This seems great folly ; because when one lowers prices so does another, so that each still finds himself on the same

level with respect to another as before. It is therefore, we may say, impossible to gain a single customer by such means, (that is except in the offset, so far as a person is the first to lower prices, which cannot amount to much;) and the effect is merely to ruin the business or trade, and often the individuals.

In a community which has made much progress in trade, such as we at present live in, it is apparently almost always much more a tradesman's interest to keep up prices, than to lower them, the tendency being downwards; and it ought therefore to be his endeavour, rather by attention and services, (still giving value,) to obtain a fair share of business, than to allow himself to be so blinded by cupidity or jealousy of others as to destroy or render worthless that which it is his sole object to gain; to reduce his business to nothing, and bring himself and others to distress. At least this is a consideration which it is evident should always so far weigh, or operate as a check upon or counterpoise to competition; moderate the eagerness after business which in this form so frequently betrays itself.

SECTION XV.

COMPETITION FOR THE PURPOSE OF MONOPOLY.

Occasionally one object of competition is *monopoly*, or ultimately to raise prices by driving intruders out of the market. This chiefly takes place where an individual or company has made rich by a particular business, and another person or another company endeavours to share the trade. The latter are here, whether they have resorted to the expedient of lowering prices or not, met with the weapon of cheapness; if cheap, with the still cheaper, and prices are

reduced to a point which it is thought will ruin them. If successful, the old company or established individual, return to their former prices, and resume their former profits.

SECTION XVI.

COMPETITION—FALSE OR PRETENDED;—OR FRAUDS IN TRADE.

On the subject of competition, it yet remains to be mentioned, that, when a manufacturer or tradesman is hard pressed by competition, or wishes to press others hard, he often resorts to a false or pretended competition or cheapness; endeavours to impose one thing on the public for another; as he reduces price always in an equal, but in truth oftener, in a much greater degree, deteriorating quality—introducing a spurious article instead of a genuine; cotton for silk, or lint, or wool, an inferior quality of silk for a superior, cast glass for cut, whalebone or horses' hair for hogs' bristles, horn for tortoise-shell, sheep's leather for kid, seals' skin for tigers', ash or sloe leaves for tea, meal for mustard, sloe juice for port wine, Cape or Teneriffe for Madeira; counterfeiting, stamping, dyeing, and mixing, in all the endless modes of deception which greed or a sordid heart can devise; an account of which would require a treatise by itself, and be sufficient to fill a volume.

This is a degraded state of trade; but must not be mistaken for competition—it being in fact quite a different thing—neither less nor more than *fraud*.

SECTION XVII.

COMPETITION—FIRST GENERAL PRINCIPLE OF.

In conclusion, on the subject of Competition we may state that there are certain general principles—principles of trade—involvement in it, or which it resolves into.

The first of these, is—that *the minimum of price of any commodity regulates the market-price of that commodity*. Thus if a single dealer in any commodity offer his commodity below the present or current price of that commodity, it is obvious that all other dealers must immediately come down to that price.

SECTION XVIII.

COMPETITION—SECOND GENERAL PRINCIPLE OF.

The second general principle—a principle also of trade—involvement in competition, or which it resolves into, is one the opposite of that which takes place or holds in most transactions of life, that is—that it is not the majority, but *the minority of persons who govern here*; for, as already said, if a single dealer lowers his price, all other dealers must come down to that price. The two principles here combined therefore are, that it is the minimum of price and the minimum of persons by which the market-price of any commodity is regulated.

When, again, price is raised, it indeed appears to be by combination or general assent, (the opposite principle to com-

petition;) but it is evident that even here the real power resides in a minority—because any one person, by withholding his assent or selling at the old price, may still defeat the majority or this combination.

Of course exceptions are always understood, and not only are there considerable differences of price among shopkeepers, but even among merchants, some selling higher, some lower; but this arises evidently from principles not coming fairly into play, (of which some persons take advantage,) the effect when they do being always as above stated.

SECTION XIX.

COMPETITION—THIRD GENERAL PRINCIPLE OF.

The third general principle—a principle also of trade—involved in competition, or which it resolves into, is—that *it is capitalists*, that is the greater or chief capitalists, *who fix price*; who, it is obvious, likewise form a minority of persons, growing always less as we mount upwards, till it end in a single, the wealthiest, individual.

This is a maxim or fact constantly recognised in all trade; it being a common observation that the small capitalist cannot compete with the great; the latter being induced to undersell or sell cheap—first, in order to appropriate or obtain as much business as he can; secondly, because it is necessary to the employment of a large capital to do so; thirdly, because he can afford to do so, or is willing to be content with a small payment on capital; and, lastly, because it saves trouble or exertion in the sale of the commodity in which he deals. In this manner there is only one company in England for the manufacture of plate-glass of any size, viz. the British Plate Glass Company at Ravenhead in Lancashire,

all others having been found unable to compete with it ; and the great thread manufacturers at Shrewsbury, oblige all other thread manufacturers in the kingdom to do as they do, as all the Ironfounders in Scotland are regulated by and follow steadily in the rear of the great Carron Company.

It is, indeed, obvious that the minority of persons here spoken of always results in or resolves into the common principle of abundance or superiority of means centring in a few or in an individual ; as the only cause which can legitimately lead to or produce cheapness. Of this superiority of means or capital there are different kinds, and if we recollect rightly Dr Adam Smith so recognises it. A person's youth, his strength, his bones and muscles, his skill or dexterity, add to which his industry, are his stock in trade, and as much capital as another's money ; and as such have their proper effect in reducing price or producing cheapness, where brought in competition with an inferior stock of such articles or qualities. *The minimum of price* of commodities, therefore, still represents *the maximum of quantity* of commodities ; and thus have we an explanation of *market-price*, or are we satisfactorily referred to our second principle of trade or is the present properly connected with it.

SECTION XX.

COMBINATION—NATURE OF.

Combination is the counterpart or opposite of competition, but as such the former has reference to the latter, or is regulated by principles growing out of it.

The defect of combination is that the combinator cannot trust to each other ; and not only is each tempted to break

through by the direct advantage of securing a greater share of trade, but even by the mere suspicion that others are playing him false, or not adhering to compact or agreement ; and this is an evil which competition does not labour under, it depending always upon or being referable to nothing beyond the will of an individual. We illustrate the nature of combination by the following instances.

First—a certain distillery had by good conduct in one respect or other acquired a range of trade superior to most in the district. The others in the neighbourhood became desirous of destroying or appropriating this trade, and took the following method to accomplish their object. They advertised a meeting of distillers for the purpose of fixing the selling price of whisky. At this meeting, which the manager of the distillery in question attended, it was settled that the price of whisky should be raised ; and he being well pleased with this resolution, and dreaming of no deceit, adhered to it. In the mean time the others sold at the former price ; by which means they secured the chief part of the sale, while the company first alluded to lost the greater number of their customers before they were aware of the trick, and found themselves unable to recover them.

Again—it once fell to our lot to witness an extraordinary degree of rage in the vender of a certain commodity against another in the same line, for not adhering to an engagement of this kind ; but his anger was not occasioned by the departure of the other from the agreement for the sake of the agreement, but because it deprived him of the advantage of doing that which he blamed—breaking through it while the other adhered to it. What indeed a combinator would seem always to wish, is that all others should adhere to the agreement but himself.

Such is the nature of combination, and the difficulties which stand in the way of carrying it into effect ; and for which the principle of competition seems to be always too much or an overmatch.

SECTION XXI.

DEMAND—THE ULTIMATE EFFECT OF.

To the preceding principles originating or occasioning cheapness, may be added another as the final or last in the circle of causes—that is *demand*; the first effect of which is to raise prices, but the ultimate, by stimulating industry, skill, and enterprise, or in other words reacting on competition or the natural rivalry of mankind, to lower them.

This the history or ordinary course of all trade never fails to exemplify or illustrate. If a particular species of manufacture comes into vogue, the attention of many is immediately directed towards it; their ingenuity is taxed to produce it; an extended market has the effect of a greater subdivision of labour, facility, and skill; and we never fail to find this followed by superfluity, variety, improved fabrics or qualities, and a reduction of price. It is the same with raw materials or natural productions. If grain, or a particular species of grain, cotton, hemp, flax, or hops comes into greater demand, the effect is to cause a greater extent of ground to be brought into tillage or put under cultivation with such crop, with the natural consequence of abundance and cheapness; and if in any particular market there is a demand for a particular commodity, thither will that commodity rush till there is a reduction of price—permanent as the demand is permanent, although subject to or attended with occasional or subordinate fluctuations. And so far as natural productions are concerned, this effect is only limited by the absolute impossibility or extreme difficulty of increasing their quantity; and to this extent must we admit an exception. For instance, salmon was at one time so cheap in Scotland that it was common for servants in the districts

where it was most abundant to bargain that they should not be obliged to use it as an article of diet more than twice a-week. It is now, however, a commodity very high priced in consequence of the discovery of the London market, or rather the mode of carrying the fish in ice to that market, and can never apparently be again cheap from the very great demand there, and the impossibility of increasing the supply of fresh fish to any great extent. The same thing applies to the precious metals, and more particularly to diamonds, the rarest and the most precious of all things; yet there can be no doubt that the demand by stimulating exertion, has to a certain extent kept down price even in them; occasioned the search for and opening of new mines of these, as it has for coals, iron, limestone, and other such commodities; and as to fish generally, such is the effect of demand that the average wholesale price of the whole amount of fish sold in Billingsgate market would not, it is calculated, exceed one penny per pound. In short, the conclusion is, or this may be laid down as a maxim—that wherever a market is, men sow, plant, rear, manufacture, carry for that market, are stimulated by it, till the ultimate point of exertion, of competition, with its necessary effect of the greatest, the best supply, at the lowest rate, is obtained.

SECTION XXII.

BUSINESS—OPEN AND LATENT.

If we suppose the principle of oscillation in trade perfect, we must suppose all businesses equally known and open to public inspection—it arising in a great measure out of competition. But this is not the case. Therefore, is it to be understood that those businesses which are most latent and

concealed pay best, as least liable to competition; those most open to public inspection worst, as most liable to competition—such as stage-coaches or steam-boats. Yet the latency of any business cannot affect the general principle of oscillation. It is but a question of degree; separate and distinct; a mere modification or principle within a principle.

Where competition is greatest, so no doubt are oscillations greatest, and extreme losses at one time balanced by extreme profits at another; and in fact this applies in a particular manner to stage-coaches, which often or at times make a great deal of money, as well as sometimes run without any profit or at a loss. But upon the whole, we should not consider such a business equal in point of profit to one not much noticed or undisturbed; although, as a general business, it must afford a fair remuneration, or it would not be carried on.

It will sometimes happen that a person makes his fortune in a business before he or it is much thought of; but, in truth, a latent business, or one which passes without much observation, must always be an exception. All the great businesses of the country, such as the cotton and woollen manufactures, but more particularly distillation and shipping, are open, well known, or common businesses. Consequently, in them, it is vain to expect, as it is impossible to obtain, more than a fair average profit or return; that is the usual. As requiring great capital, however, (some of them preparation, skill, and knowledge, not to mention time, by which only some manufactures are to be established in extent and perfection,) they may be considered more steady and uniform than those in which any one may embark without much preparation, enter into or quit at a moment, such as those more trivial we have instanced; but this leads us to another subject noticed in the succeeding section.

SECTION XXIII.

BUSINESSES—ESTABLISHED—ON WHAT PRINCIPLE FOUNDED.

From a train or combination of circumstances, including capital, the effects of time and locality, certain businesses indeed become established in certain individuals or companies; but more particularly will be found to have taken root and grown up in certain places—thus deriving an advantage and excluding competition by other persons. That in fact a business has been long carried on at one or a particular place, would seem alone sufficient, without other cause, to give it an advantage and distance competitors; all things having become adjusted and fitted to it. Thus, cutlery thrives only at Sheffield, plated goods, button-making, &c. at Birmingham, pottery in Staffordshire, the linen manufacture in the North of Ireland, damask-weaving at Dunfermline, ribbon-weaving at Coventry. Edinburgh is distinguished for the manufacture of fine shawls, Paisley for that of coarse, Glasgow for muslins, Manchester for printed cottons, and Nottingham for lace. But most remarkable of all is it, that, before mild porter lately came into vogue, the proper flavour could be given to this article no where but in London. This superiority of the London porter was ascribed to various causes—sometimes to one—sometimes to another—to the dexterity of the brewer, the nature of the Thames water; and although, as we are informed, the former, if not the latter also, had been brought down from London to Scotland and there tried, the experiment was always attended with the same degree of success. Like the black broth of the ancients, this far-famed beverage could be manufactured only at a particular place.

The truth is, all here came to a question of and depended

altogether upon capital—upon the immense quantities of stale porter kept by the great brewers in their huge vats, (containing commonly from 5,000 to 6,000 barrels, in a few cases 12,000, in one 18,000;) by which the liquor during its repose became fine, and by obscure or insensible fermentation was brought nearest to the vinous state. This only immense capital, reacted on and supported by immense consumption, could enable them to maintain. Less quantities would not have kept for the length of time they kept them, and a less demand would not have remunerated them for keeping such quantities; the mutual effect of capital and demand being here very well illustrated.

Most of those businesses enumerated indeed depend in a great measure on or have originated in local advantages; which, however, have been much heightened by time and continuance. Thus, although the basis of the coarser manufactures of Sheffield, viz. iron and coal, are to be found on the spot, the raw material of the finer is all imported from abroad. Yet in these latter, particularly in the manufacture of steel, which is chiefly made out of Swedish iron, none can compete with the manufacturers of this place, which is accounted for by its being the seat of the cutlery and edge tool trades in general, the facilities for experiment and adaptation on the spot being such, it is said by one who writes expressly on the subject, as have enabled them to surpass all others in the perfection to which they have carried this important branch of our national industry.

Again, it would be difficult to say what should have peculiarly fitted some places for a certain manufacture—why Shrewsbury should be the chosen seat of the thread manufacture—Woodstock of that of gloves: neither of which possesses any apparent local advantages particularly adapting them for these respective businesses—only so it is that capital has chosen to sit down at these places in the peculiar forms which it has taken.

Certain businesses, indeed, are more directly to be traced

to locality, or appear to arise simply out of the advantages of place :—flax-spinning at Dundee, from its situation on the Eastern coast, and the direct access thereby afforded to the Baltic ; the Carron trade or manufacture, from iron-ore and coals being found at the same place ; salt-making at Prestonpans, from similar causes ; distillation and ale-brewing at Edinburgh from many causes, from its being in the midst of a grain country, (one of the finest in the kingdom,) near a market, &c. Yorkshire again, as being hilly and consequently a pastoral country, is necessarily the seat of cloth-making, and wool-stapling naturally accompanies it ; and generally, where coal abounds there are manufactures to be found from the low price of this necessary article ; not to mention water-power, which in many circumstances, whether as in itself natural or only a means, is an element of no little importance.

Nay, contrary causes seem here in some instances to be attended with similar effects. Silk-weaving, as might be expected, would originally be found in the vicinity of London, from the patronage for such a business which the metropolis afforded ; but with modern facilities for the carriage of an article which contains much value in little bulk, has now begun to seek the more distant localities of Macclesfield and Manchester, where labour is to be obtained at a more easy rate, but perhaps above all that energy and power which accompany the concentration or congregation of capitalists abound.

The advantage which an established business possesses, although it so far resembles monopoly as to have an exclusive effect, is however founded upon an entirely different principle, and has altogether different consequences with regard to the public ;—that is, its superiority arises out of, as it results in, the principle contained and more fully developed in the following Section—from its enabling to furnish the best article at the lowest rate, and is ultimately and properly to be traced to competition, and more particularly and specially to

its third general principle. If, indeed, monopoly it may be called, it is one of the right sort, proceeding not from artificial but from natural causes ; the possession, (exclusive possession,) of qualities or faculties most conducive to the end required.

With businesses established, such as those above enumerated, it is always difficult and in some instances vain to contend in their respective departments, in places destitute of similar advantages or others to counterbalance them. The obstacles indeed which an established business always presents to others commencing the same business, are to be overcome if at all only by courage, industry, and perseverance ; and local advantages or disadvantages are elements never to be overlooked in estimating the probable success of any particular business or undertaking.

Canals, rail-roads, turnpikes, and gas companies, from their strict or exclusive locality, as well as the great capital which they require, attain a sort of monopoly on the other side, or in the common meaning of the term, often indeed through or with the assistance of an Act of Parliament, and in point of fact none have paid better than those last mentioned. Gas has indeed to contend with oil of various kinds, and with tallow ; and so far as it has an advantage over these, is to be ascribed to the intrinsic merit of the invention ; but all beyond, where one gas company is not opposed to another, belongs to monopoly. The steam-boat trade must again, as already said, be considered an open trade, in which no advantage is to be obtained farther than arises out of sagacity and management.

SECTION XXIV.

CHEAPNESS—THE CRITERION OF ALL OTHER QUALITIES IN
TRADE.

The principle referred to in the preceding Section as that on which an established business is founded, is—*cheapness*; a principle vulgar and common, and which is constantly kept before the public, more particularly by competition, yet, although in some measure already noticed by implication, seems worthy of being viewed by itself, as, when considered with greater attention, affording some remarkable inferences or conclusions with regard to trade.

The cheapness here contemplated is to be understood as an absolute or complete, a true cheapness, which has a strict connection with quality or the fineness of goods, so far as a standard can be found for that which is relative, and founded upon a comparison of circumstances ever varying or changing in degree.

Cheapness, properly understood, we may shortly state, is the criterion or barometer of the state of trade; the index of its perfection or imperfection, the point which it finally has in view, and to which it is always directed, in which competition results or ends, and, as already said, that which gives to capitalists all their superiority and power. It is, in short, the sum and substance of all its other qualities. Industry, skill, capital, care—all have their termination here;—all are embodied in or represented by the single quality of cheapness.

To render this more apparent, we shall quote a passage from an intelligent French writer regarding a single art, which, it is hoped, will put the matter in a clear light. M. Faujas de Saint Fond, speaking of the subject of English

stone-ware in his Travels in England and Scotland, thus expresses himself: "Its excellent workmanship, its solidity, the advantage which it possesses in sustaining the action of fire, its fine glaze impenetrable to acids, the beauty and convenience of its form, and the *cheapness* of its price, have given rise to a commerce so active and so universal, that in travelling from Paris to Petersburg, from Amsterdam to the farthest part of Sweden, and from Dunkirk to the extremity of the South of France, one is served at every inn upon English ware. Spain, Portugal, and Italy are supplied with it; and vessels are loaded with it for the East Indies, the West Indies, and the continent of America."

It will here be seen that cheapness is the quality last mentioned. After giving all other qualities to a manufacture, the object is to give this, without which they would be nothing. The same end or object, we may daily witness as pervading all other arts or trades which have in view ministering to the necessities or luxuries of mankind. Thus, if a large, a splendid, a powerful steam-boat is fitted out for the convenience of the public, a few years after a still finer is got up, which is again thrown in the back ground by another more superb, and so on till it is difficult to say where the contest is to stop. The newspaper press also constantly exhibits the same state of rivalry, each establishment endeavouring to outdo another in size and fineness of paper, the quantity of matter, and the style in which it is got up. In short, cheapness is the universal aim; the object of invention in mechanics or machinery, chemical discovery, improved processes or dexterity in manipulation; the shortest road here, as elsewhere, being always that which is best.

Cheapness, it is to be observed, refers always to two things—quantity and quality; and he who furnishes the greatest quantity or the finest fabric for the least money, must be considered as furnishing the cheapest, and as so doing, having arrived at the greatest perfection in the article in which he deals or the art which he practises.

SECTION XXV.

A NEW BUSINESS.

A new business pays well if it succeed, because it is free from all competition, has an open field ; at least in the first instance, or for a time ; in many cases for a length of time, passing unheeded or not being observed. But all new undertakings are experimental, uncertain, and liable to failure, and therefore hazardous; and for one new business which succeeds, a multitude fails. Hence the balance of prudence is commonly against embarking in a new business or undertaking.

Of what is here spoken of or referred to, however, it is evident there may be different degrees or stages ; first, a business in its nature totally or essentially new or original—the first introduction of gas, rail-roads, or steam-boats—events rare in the history of human affairs, and therefore scarcely to be taken into account in the calculation of probabilities ; secondly, a new process of manufacture or mode of attaining a common and well-known end, such as the hot blast in iron-smelting, the use of salt in glazing stone-ware, or what chemistry has done for bleaching and dyeing ; and thirdly, an old business, a supply of common professional labour, that of surgeon, attorney, land-surveyor, or such like, an apothecary's shop, a bookseller's, or a confectioner's in a new place.

The first, indeed, may be said to fall more within the province of scientific or speculative men than the tradesman, or at least does not concern the latter till its utility has been ascertained and established ; and with regard to their success or failure, it may be sufficient to say, that the number of inventions, real or useful, matured or brought to perfection, bear not the least proportion to the abortions daily laid before the public under that name.

With regard to the second, the same reasoning applies in a less degree, such reaching the manufacturer or tradesman generally in a workable or finished shape ; unless in the case of his being the discoverer himself, where the improvement is commonly minute.

The latter, therefore, remains as the chief, if not the only true and legitimate object of his regard ; and the propriety of which, that is an old business, or one whose efficiency has been proved, in a new place, must always depend upon or be decided by whether that place be a rising place, that is increasing in population or wealth, or both, so as that new wants may have arisen to justify the undertaking—remarking, that in such cases a person must not be discouraged by want of success or failure for a time, as most things come but gradually into vogue or steal imperceptibly upon the public. In point of fact, indeed, none of the three great inventions which have done so much honour to our day—gas, rail-roads, or steam—paid so well at first or on their immediate introduction as some time afterwards, when their advantages came to be better understood and appreciated ; and all can as yet be said to be only in their infancy, or to give but a mere indication of what they will ultimately produce.

What has been said of a new business, applies directly to *new goods*, whether natural productions or manufactures. With respect to a new article of natural production, its success is almost certain from the direct effect of novelty ; and as to new fabrics or varied patterns in manufactures, although calculated only for temporary effect, yet that effect is seldom found insufficient for the purpose intended. On these a great profit is almost always obtained ; and with such, although there must undoubtedly be some risk, the risk will never be found to correspond with the profit.

As the counterpart of this view of the subject, we may here observe, that articles of general consumption or in common use have this advantage, that they meet with always a ready sale ; but in consequence of the great competition in them, they afford little profit.

On the same principle also, we find that the public often admit little profit to the seller on an article of which they know the exact value ; of which sugar in retail furnishes an instance. The like, we believe, may be said of narrow cloth ; while broad, of which the public in consequence of the greater variety of quality, are less a judge, affords a good profit—the difference between the price purchased at and the selling price, the shopkeeper here being enabled to conceal.

So likewise, it will be remarked, professional men, such as attorneys, are always grugged, their labour standing out naked and alone ; while on the other hand, the charge for labour by the merchant or shopkeeper being mixed up with capital, is unheeded as unknown ; the public in this respect very much resembling the young of partridges, who, it is said, do not regard the danger which they do not see, and if their head be hid conceive their whole body safe. The consequence is, that merchants and shopkeepers never fail to lay on as much in the shape of profit as they can get, fifty or one hundred per cent. being by no means considered too much—that is, where it does not hurt their trade ; and this is what it is difficult to prevent, for although properly and justly the public should know the prime cost of goods in order to understand the profit charged—if they were to insist upon a sight of invoices, this would lead merely to a double set, (like the papers of neutrals,) one for selling and another for paying by, and such in some cases has actually been the fact. Yet the shopkeeper or merchant is not altogether to blame here ; for in truth, as already hinted at, did the public know the prime cost of goods, they are so unreasonable they would then be for allowing no profit whatever.

The only remedy here, therefore, or practicable state of things, so far as the shopkeeper is concerned, is to be found in competition, for avarice in avarice itself, which sets bounds to the greed of profit by the desire of trade, and ul-

timately brings business to its proper level, a respectable state, which however cannot be deemed other than compulsory.

SECTION XXVI.

CREDIT.

How far *credit* is to be admitted in business; that is, how far it is profitable for the merchant or trader to give or take credit, is a question.

As things at present stand, or on the mode on which business is at present conducted—the advantage to the buyer in going to the market with money in his hand or paying *ready money*, is obvious in the favourable bargain he generally makes or the *discount* he receives. But this refers exactly to the disadvantage of credit to the seller.

The inference therefore is, that credit is unfavourable to trade; that is profitable trade. The advantage of ready money to the seller is twofold. First, it enables him immediately to reinvest his capital and make a second profit; and so, in the mercantile phrase, turn it over in a short time. It is obvious, therefore, that in this way small profits on ready-money transactions may equal or overbalance great on credit.

Secondly, a by far greater advantage is that it insures the debt, and relieves the seller of the risk incurred by credit, of not only losing the profit but the principal or stock. It also saves the trouble and expense, if not of keeping books, at least of the collection of accounts, which is often great, even if a person is not obliged to resort to the compulsor of the law, which must always be most disagreeable to a tradesman, as most foreign to the purposes and principles of trade.

It were to be wished, therefore, for the sake of buyers as well as sellers, (that is the honest part of buyers,) that all trade were conducted on the principle of ready money. It may be objected, indeed, that this would throw all business into the hands of capitalists. But on real capital, in the hands of one person or another, must all trade be carried on. Persons, therefore, who do business on credit are properly to be considered as nothing more than factors for those by whose credit they are upheld. Besides it is clear, that, if all business were conducted on the principle of ready money, capital would go farther than it does at present; and let a person's capital be ever so small, should he not confine himself to it, and regulate his transactions accordingly?

Further, it is to be remarked that credit given has the effect of credit required, multiplying itself without end, or till it return in a chain to the highest or first source—the banker, who discounts the bills of the manufacturer or merchant, and while he gives credit receives it from those who accept his notes bearing a promise to pay, so that credit ultimately seems advantageous only to him who does not intend to pay, to whom certainly it is all clear gain.

The ostensible source or origin of credit—is the anticipation of payments or money to be received; which we shall endeavour in next Section to shew can scarcely apply to trade absolutely or unlimitedly; that is stand for all. There remains therefore legitimately to be admitted here only wages, salaries, &c., a person being obliged to work for these or give the value before he receives them. But we can scarcely conceive a person so low in the world as not to have capital sufficient to support him between the time of engaging to earn wages and the actual earning, which can always be shortened by contract. And it may be remarked, that wages once anticipated in a single instance, renders the anticipation perpetual and permanent. Thus, suppose a person to require and receive credit for £5, this may be repeated till the sums credited amount to £200, and all from the want

of the small sum commenced with. It will be wonderful too if the chain do not break at last.

Again the injustice of credit, at least of the system of credit as presently conducted, and it does not appear there could be any other, is not to be overlooked—we say to our tailor, why do you charge so extravagantly? His reply is—I am obliged to do so in consequence of the many bad debts I meet with;—thus making the honest pay for the dishonest.

Between those, however, living at a distance some credit is unavoidable. A merchant in Petersburg must draw upon a merchant in London for the value of hemp or flax furnished, or the latter must send out the money to a confidential person or agent to make his purchases; and here again, if there be not exactly what is called credit, there is trust. This likewise must apply in a great measure to all business between wholesale and retail dealers within the kingdom, almost the whole of such trade being carried on by persons at a distance from each other; and it is difficult to see how the evil could be obviated in this case, unless by the introduction of a greater. Be it however remarked, that risk is always lessened by *short credits*; and in fact as trade becomes extended and better understood, the consequence is that credits become shorter, and cash payments more frequent.

Lastly, it may be observed that the whole current of sympathy is at present in favour of debtors. There is none for the poor creditor who has lost his money, and who is always to a certainty a sufferer;—who probably has to retrench and practise a system of self-denial before he can meet his engagements—in consequence of his debtor's extravagance and reckless indulgence of his passions. He is always looked upon as an oppressor when merely seeking his own, and the treachery so unfeelingly and unblushingly practised in ninety-nine cases out of a hundred of this kind, in reliance on impunity, overlooked.

It is true, the reason why most men in business fail to pay, is that they are not paid themselves ; but this refers us only a stage back in tracing the evil ; and we adhere to the opinion that cruelty is most commonly on the side of debtors, if not also criminality—abusing the best feelings and setting at nought principles which should ever be deemed sacred. We ask for no severe measures or extra harshness against debtors ; still we consider the law called upon to punish deliberate instances of fraud, in which contracting debts without the prospect of being able to pay must be included, wherever they are distinctly brought forth or come under its cognizance.

SECTION XXVII.

CAPITAL—HOW FAR INDISPENSABLE.

After what has been said on credit, which may be thought to decide the question, it may seem superfluous to say any thing on the subject of *capital* ; yet some farther explanation appears necessary to dispel certain delusions which prevail upon it.

Supposing *credit* admitted as a principle in business, it would seem to be only a part or proportion that can ever be carried on successfully on credit. Or shall we conceive a person to carry on business on a capital entirely dependent on or raised and managed by a system of bills and discounts, it is evident that he must go to ruin ; for this simple reason—that he pays more for his capital than he receives for it ; the expense occasioned and time occupied by such management, laying aside its disadvantage and that harassment of mind which necessarily accompanies it, and which must so far unfit a person for attending properly to his business,

being more than sufficient to swallow up his profit, or the difference in his favour between the interest on the capital raised or borrowed and the revenue or profit on the capital employed—if we suppose any, which it is scarcely correct to do. It is the great capitalists, as already stated, who fix the value of capital; which is so far a matter beyond his power, a thing he cannot by any act of his affect or alter. Therefore all this expense he must submit to lose, or be so much in advance of what they are content to receive. Hence kiteflying, or what Dr Adam Smith calls drawing and re-drawing, as a system, must ever be one of pure folly, and can never be justifiable or adopted with advantage but for a temporary purpose. Yet certainly there has been such a thing as a business commenced entirely on credit, and therefore is it necessary to warn against it.

Even shall we suppose a permanent loan, (which can hardly be conceived without property given in security and therefore capital), in this case the prudence or propriety of engaging in any business must depend upon how far its profits rise above ordinary interest; in addition to which, it must not only pay for all expenses and contingencies, but also provide for the support of the person who carries it on. Now as in the present extended state of commerce the profits of most businesses rise very little above ordinary interest, (if ever they did otherwise, as when the profits on trade are great interest is proportionally high,) a merchant or manufacturer must be understood to live as much on the produce of his capital as the profits of his trade. If, therefore, the whole of that capital were borrowed, laying aside the effect of a fall of prices, to be afterwards noticed, the circumstances in which he could succeed would be very favourable indeed.

To some businesses, however, a borrowed capital is more advantageous or suitable than to others—the retail than the wholesale; that is to those businesses which are more made up of personal labour than others. Thus we may conceive

it possible for a small apothecary to do well or thrive on an entirely borrowed capital—having business or other circumstances being favourable, and practising a rigid economy ; because his business would then be made up chiefly of personal labour. But a great apothecary hardly could, being obliged to employ others, and coming nearer to the condition of a manufacturer, who we have said, for the reasons already given, could scarcely thrive on a borrowed capital.

A shopkeeper, again, seems to be a medium or in a middle state between the two ; and if he had some capital, might be allowed rationally to eke it out by credit. But at all times the less credit expected or given, it would seem the better ; and if a tradesman keep within his capital or make a point of having always a sum of ready money past him, he will find his account in it, that is so long as others conduct their business as they at present do. He is thus enabled to command the market, while otherwise the market would command him ; that is, he can take advantage of a favourable state of the market, or wait for it.

In short, for the purpose of meeting contingencies, so indispensable is what is here inculcated, that we have known more than one merchant of eminence fail by going to the verge of his means, whose estate nevertheless when brought to the hammer, with all the disadvantages of such a circumstance, paid full payment. And this may happen to any one, be his capital ever so great.

That the question applies to sellers as well as buyers, or involves the contingency of selling, is obvious. Thus a farmer who is pinched or short of capital, must sell to pay his rent, whatever the state of prices ; and the same thing must often happen to a manufacturer in the like circumstances, in order to enable him to meet his engagements or pay his bills.

In fact, so well understood is what is here stated in respect to the farmer, that grain-merchants found speculations upon

it ; often buying more about the time rents are payable than at any other.

A person, in fact, who has no capital should ever avoid embarking in trade or business, that is buying and selling with the view of profit, and look to employment, the reward of his labour or the exertion of his talents alone for gain, otherwise he deceives himself. In the first instance, his object ought to be to save something out of his personal earnings as a stock to begin with ; which when he has accomplished he may properly change his plans.

At the same time, from what is here said may be excepted a loan for the purpose of speculation by a person having property, either directly pledged for it or which forms indirectly a security—such loan always being understood to be for a period. In this way property may be made to serve a double purpose—an investment and a security—or to act in too capacities or even speculations at the same time. But this belongs properly to a subject to follow. Into accommodation indeed all bank discounts undoubtedly resolve ; but where bills are understood to be for value in the course of trade, property is pledged, and the means of paying them so far guaranteed. And on this the principle of discounts is founded. Even a pure accommodation or kite-flown may occasionally be wittingly acquiesced in by a judicious or prudent banker for the purpose of speculation or rather a speculation. It will proceed on the explanation how the funds are to be applied or invested, and the knowledge that when the accommodated parts with the money he receives property in exchange or has value in hand—all indeed grounded on or referable to the character of the individual with whom he has to deal ;—the difference between a good and a bad discount being this—that in the first case the property remains, and in the second that it is gone or the measure resorted to merely to supply or pay what is already spent.

Finally, it is to be remarked that capital and profit are here to be distinguished ; that a person may be obliged to

fail from the want of capital while the profits of his business are large, or that he may have abundance of capital without any profit at all. Still worse is it, as not seldom happens, when both are wanting; when he has neither capital nor profit, and is obliged to look to credit for both.

SECTION XXVIII.

CHEAPNESS OR DEARNESS.—VIEW I.

In a strict or philosophical sense, there is no such thing as cheapness or dearness, because a thing is worth what it will bring and no more. If it bring much, it is worth much; if it bring little, it is worth little. Therefore, in this view, it can never be sold or purchased dear or cheap, the fact fixing its exact value *at the time*. The present price is always the present worth.

This is indeed properly to be understood only in the most extended or broadest sense, excluding or leaving as exceptions a greater or less degree of knowledge, skill, and care, fraud on one side and folly on the other, together with the whims and caprices of individuals, either with respect to buying or selling, and supposing a sale in a public market or after competition; in which case, as no man will allow another to get a bargain or an extravagant price, there seems no reason to doubt the correctness of this our maxim.

Even the whims and caprices of individuals can strictly be considered only as forming modifications, and as exhibiting the same principle on a narrow scale; for whenever a person gives a certain price for a certain article, let that price be ever so extravagant, it is worth what is given for it to him, and he will seldom be found at a loss for arguments, founded on his own necessities or passions, to justify the

transaction. And the same must apply to disposing of a thing or selling for a little money. The article parted with must either be of little value to the seller, or the money of great value to him.

The value of what are termed necessities, such as articles of food and clothing, may be considered as resting on the most extended or widest basis; that of the precious metals of a comparatively narrow; of precious stones, on one still more so; and the value of pictures is so arbitrary, or depends so much upon taste and connoisseurship, as to be nearly what is termed imaginary. Yet it is remarkable that of all things, and more particularly as compared with gold and silver, (the price of which is nearly stationary), the value of articles of food varies most; and this arises not from any inequality in the demand, but almost solely from that of the supply; for when the supply of any article is constantly under the demand as in the case of diamonds, it is remarked that the price varies but little.

SECTION XXIX.

CHEAPNESS OR DEARNESS.—VIEW II.

There is a difference between low price and cheapness, high price and dearness—that is, with respect to the *quality* of goods, as is well known. Thus a commodity may be dear although the price is low, because the quality is bad; or it may be cheap when the price is high, because the quality is good—that is always understood as compared with other things of the same kind. And it is a common remark that the highest-priced articles are generally the cheapest.

SECTION XXX.

CHEAPNESS OR DEARNESS.—VIEW III.

Things can be cheap or dear only relatively. When all things rise in price, one thing is no dearer than it was formerly ; when all things fall in price, one thing is no cheaper ; because all are still on the same level. This shews merely an alteration in the value of money as compared with property, or in the quantity of property as compared with money. A person who has to gain money is sensible of no difference. In such circumstances, if he gets more or less for his labour at one time than at another, (supposing no peculiarity attending that labour, increase or diminution in its quantity or in the demand for it,) he has more or less to pay for what he purchases.

SECTION XXXI.

CHEAPNESS OR DEARNESS.—VIEW IV.

A fall or rise in the price of commodities, that is in all commodities, is a real cheapness or dearness with respect to *money*, or to him who has it in store or out on loan, and has not to labour for it ;—labour being here always considered a commodity, the value of which rises or falls with that of other commodities—so long as its quantum remains the same or the demand for it. But the real cheapness or dearness of any one thing, is only where the article is more or less abundant or the supply greater or less as compared with the demand *at*

one time than at another. Price, therefore, can never be taken as the real criterion or exact measure of cheapness or dearness, without holding money as fixed in quantity or taking into account the amount of its change ; because an alteration in the quantity of money, it is obvious, will produce an alteration in price, without any alteration in things, or while they remain the same. The truth is, it is always property or quantities of labour stored up or embodied in commodities, which, (through the instrumentality of money,) are exchanged against each other. But all value, as well as price, is a relation between two things, an alteration in any one of which will alter that relation. Thus, suppose a certain quantity of hemp and tallow to be exchangeable against each other, it is the same thing to increase the quantity of tallow as to diminish the quantity of hemp. In the former case, hemp will appear to rise in value while in reality it is tallow that falls. So of all commodities. There can therefore be no fixed standard where all are floating and changeable. Yet where one thing falls or rises in price *out of proportion* with other things, this seems, whatever may have been the alteration in money, sufficient evidence of an alteration, (and of cheapness or dearness,) in it, or the best that can be attained without a painful and minute examination of many and particular circumstances ; and this proceeds upon the real state of things, because while it supposes the quantity of commodities to alter, it supposes the quantity of money to alter at the same time, which is certainly the fact, or what never remits—is constant and perpetual. And with these observations we shall dismiss the subject, leaving the matter to the sagacity of the reader, and to be ascertained as he best can ; but in the mean time, to dispense with intricacy and abstruseness and reach some popular and tangible idea, holding cheapness or dearness, (the existence of such a thing being assumed,) identical with the common measure of value or low and high price.

SECTION XXXII.

CHEAPNESS OR DEARNESS.—VIEW V.

The high price of any commodity is a sure sign that it will soon be low; the low, that it will soon be high; for these plain and simple reasons—that when a commodity is high in price it is scarce, and therefore every one is tempted by that price to manufacture or produce it till it become plentiful and cheap;—when it is low in price, it is plentiful, and consequently every one gives up manufacturing or producing it till it again become scarce and dear. This indeed appears to apply more directly to such things as can be artificially increased for the occasion; but it is evident that it applies also in the same manner to those which are the produce of the seasons. Thus when grain is high in price, there will be a rush of it to the market: when it is low, it will be kept back, according to the effect of peculiar circumstances; and the high prices of this year, if they have little influence on the quantity of the whole raised next year, may have considerable on that of particular kinds. That the number of cattle reared is affected to a great extent by such considerations, as already stated, there can be no doubt. And thus do we return to the oscillations of trade, or the perpetual disturbance which takes place in the relation between the supply and demand, which chiefly arises out of this cause.

The inference or conclusion is—a person should beware of high prices; he is in little danger with low.

SECTION XXXIII.

CHEAPNESS OR DEARNESS.—VIEW VI.

As commodities become cheap, do they uniformly become good in quality; and this forms no contradiction with what is laid down in View II.; because what is there said relates only to quality—comparative—not to an absolute dearness or cheapness, or their effects; and therefore has no connection with our present subject.

The reason why commodities become good as they become cheap, is obvious. When commodities are dear they are scarce. Therefore people must take what they can get; and any thing will then do—even a substitute. But, on the contrary, when they are cheap they are plentiful, the competition is great, people are nice, and the producers are obliged to make them good or furnish what is good, otherwise they cannot sell them.

Of course, it is always to be understood we are to distinguish a false or pretended cheapness, a spurious article, from a real or genuine; but, in fact, this is not the case or time where or when such counterfeits particularly abound, but that which we have already described in Section XVI.; being no more prevalent when prices are low than when they are high. For, in truth, fraud is a principle, if not of trade, at least of human nature—always awake—which never sleeps.

That *imitations*, adulterations, belong at least as much to the one state of things as to the other, may perhaps appear from the following circumstance, which occurred to the author. Happening one day to enter a warehouse, he perceived some strange-looking stuff lying in a corner. On asking the warehouse-keeper what it was, he very candidly

replied that it was the husks of mustard used for adulterating pepper; but that since pepper had become cheap the practice had been given up.

We might go a little farther, and add, that if our general position be correct, that as articles become cheap they become good in quality, the converse must hold—that as they become dear they become bad; and, in fact, this seems to us what is most naturally to be expected, the temptation as well as the means or facility of passing them off in the latter case being increased.

SECTION XXXIV.

MANAGEMENT—THE AMOUNT OF.

We have said that no one business is more profitable or can pay better than another—for this simple reason, that if it did it would attract capital till it were reduced in point of profit to the common level. But to this we have already admitted three exceptions.

First, a latent business, or a new business, which may be classed together, and are in truth generally one; and either of which, by escaping notice, escapes competition.

Secondly, monopoly, or a business protected, so far as that monopoly goes, by law from competition.

Thirdly, the oscillations of trade, by which each or every business is, from the nature of things, alternately good and bad, or better and worse, which however are only occasional; and, as being so alternate, may be held to compensate each other, or, as falling equally on all businesses, to affect no one more than another.

To these we have now to add a fourth, and that is *management*, including the several qualities, sagacity, skill, pru-

dence, industry, &c., which go to make up the character of the man of business, composing the subject of, and taking the forms contained in succeeding Sections ; by which competition is chiefly called forth, and through which it is conducted. Management has indeed been already incidentally noticed ; but marks a distinction in trade or forms a modification of other principles sufficient to entitle it to a place by itself. It is what is termed a wide word, and taken alone or by itself might in an abstract or general sense be understood to comprehend the whole of what is contained in this treatise ; but as so understood, is in reality a mere title or index. Something more particular and extended will therefore be deemed necessary to be useful ; open as it is to and affording the subject of remark and discussion in its modes and varieties, its circumstances and peculiarities.

The qualities referred to differ much among or are possessed in various degrees by individuals, and so far must affect their success in trade ; and it is clear where there is neither latency nor monopoly, a fair field, in which condition the greater number of businesses or the great business of the community must be held to be, management is the one single cause which produces the greatest difference of profit among businesses.

The amount of management in a positive sense, it will be observed, is not however so great as might be expected, for this reason, that it requires very great exertion, where all it may be said are straining their faculties to the utmost, to come up to the common standard ; the competition in management being just as great as in any thing else. Beyond this, the difference in business which it produces is in fact often very minute ; but must still exist, although varied to every shade and graduated to every degree, perceptible or obvious in its grosser amounts or invisible in its smaller. It includes whatever a person can do for business—persons for things ; the rest it may be said arising out of the nature of things, or a business doing for itself.

That indeed the effect of management belongs not to business but to persons, not to capital but to labour, is certain ; and therefore, following the division of Dr Adam Smith, can scarcely be ranked under the head of profit on stock. But with reference to the popular sense of the term, it be objected that, being dependent upon exertion, be it less or more, value is given for what is received, having already stated the nature and character of profit, in our conception in every case to be a value received for what is given and no more—this but places the advantage derived from management in the predicament of all other, or subjects it to a definition from which nothing of the kind can be excluded.

SECTION XXXV.

ENTERING INTO BUSINESS—THE MODE.

To enter into business by degrees, or to feel a person's way gradually into it, is understood to be the rule or approved mode ; the knowledge of prices, markets, of the value of goods and of labour, customers, the cheapest way of laying in, and the most advantageous way of disposing, being the whole amount of many businesses ; and by such knowledge or skill, it is likely a person will thrive in any, as without it he is certain to thrive in none.

Now this knowledge or skill cannot be acquired all at once, but must be the fruit of time and experience ; of repeated trials and many experiments ; it being a common observation, that if a person meddles with a business which he does not understand, he must pay for his knowledge—an apprentice-fee. A great business is therefore hazardous to begin with, and a small business will not pay, or afford

such a revenue as a person can live by; and it will be remarked that the expense of an establishment, including servants, &c., for a small business, often comes near to that which is required for a large. It also sometimes happens, from the nature of a particular business, that a person must enter into it to a great extent or let it altogether alone; indeed, with shopkeeping in a large town, there seems to be no medium; either a large dashing and expensive shop or nothing to do. Here therefore, contingencies being duly weighed, and risk balanced with the prospect of advantage, the decision must depend upon the nature of the case and the discretion of the individual.

SECTION XXXVI.

CARE IN BUSINESS.

We have here to observe, that, although proverbs are to be respected as the fruit of experience and observation, we do not recommend an implicit confidence in them, because proverbs are often contradictory, and therefore often incorrect, or to be taken with limitation. For instance—"Take care of the pence, and the pounds will take care of themselves," is a sentence of wisdom only so far as regards the pence, and as to the pounds is met with another,—“Pound foolish and penny wise.”

Undoubtedly, care as to both is necessary; but let us now speak of the pence, of which pounds are made up.

We would therefore here simply observe, that a saving in any business is the best, as it is the surest of all profits, and where the competition is great even necessary to prevent a loss.

Hence it happens that by attention, economy in business,

the saving of expense, care on every occasion and in every transaction, allowing nothing, let it be ever so trivial, to be neglected, lost, or fall to the ground, (if these be not the all of business,) one person will make money where another is ruined. And in fact the qualities now mentioned, go far to supersede the necessity of and supply the place of higher.

On this subject, order, *method*, including *exactness*, punctuality in keeping engagements, as well with respect to appointments as to payments, (a principle by itself, which insures the economy of time, and contributes so directly to the perfection of labour of every kind and of every shape)—is not to be forgotten; to which may be added *business habits*; *industry*, the latter the humblest of all virtues, but the greatest as well as the most difficult of a man of business; and, as more immediately connected with the object of the present treatise, is not to be omitted, the keeping of *regular books*, without which there can be no comfort in business or trade of any kind. It may be added, that *accounts* ought always to be regularly rendered at the usual periods, whether payment be expected or not; an attorney's or solicitor's every half-year; a circumstance which will be found much in favour of a good understanding between the employer and the employed. "Short accounts," says the proverb, "make long friends."

This indeed the many changes which time produces or necessarily arise out of the perpetual motion and flux of things, would alone be sufficient to suggest; one man being always intimately connected with many, and liable to be affected by whatever affects those around him, rendering perhaps within a few years the person who was trustworthy in a pecuniary point of view, or in mercantile phrase a *good man*, the opposite, and unable to meet his engagements—thus instructing us as to the value of securities, or how far in this respect any individual, whatever be his present circumstances, is to be depended on.

SECTION XXXVII.

A GREAT AND SMALL BUSINESS.

We have said that a merchant, a manufacturer, or tradesman, should keep within his capital. The same applies to his talents. He should never undertake more than he can properly manage ; the least error or loss being always on the other side.

It may, therefore, be laid down as a maxim, that a small business well conducted is more profitable than a great business ill or indifferently conducted ; for in the one case there is a gain although it may be small, in the other most probably a positive loss. This may be illustrated by a mistake sometimes fallen into by poor emigrants to America, who having plenty of land for nothing or cheap, are induced to bring under tillage a large surface which they are unable to do justice to, when they would have been much better off with a smaller surface well cultivated ; the former scarcely producing any thing, while the latter would most likely have yielded a good return or crop. It is true in the general, the terms small and great business must be understood with considerable latitude, and with reference to a person's means and capabilities—command of money and labour, as well as power of management. But it is easy to perceive that while many failures in business take place in default of the former, there are not a few also in respect of the latter.

Anxious, indeed, as tradesmen always are to extend business, intent upon gain, or too often impatient of the slow returns of industry, it is a thing which not seldom happens that they undertake more than they can duly manage. More particularly dangerous indeed are a number of different avocations or engagements commonly termed *irons in the fire*,

which confound and distract and take up time, (a thing particularly to be guarded against,) in passing from one to another. Hence the remark frequently made—that those who do most business do most ill.

We do not indeed decry or wish to discourage enterprise, but are of opinion that in all cases men should be cautious in quitting a certainty for an uncertainty. Where they are well they should endeavour to keep well. For instance, if a shopkeeper is thriving in a shop of mean appearance in an obscure part of the town for which he pays little rent, the quitting of it for an expensive shop in a more fashionable quarter becomes a question of serious consideration as incurring great hazard. Such a measure may indeed sometimes be necessary from the change in the place, either in buildings or fashion, the one including the other, and indeed so much is this a case of circumstance that the very neglecting of it may be an error; but it ought always to be adopted warily and after due deliberation—the number ruined by the species of ambition referred to, it being unnecessary to say.

The same must apply with greater force, as being a matter of greater importance, to entering into a new business or changing one business for another; and although we may be a little deviating from our subject, it may perhaps not be amiss here to state, what occurs to us in similar respect with regard to a manager or servant;—that is, where he finds himself comfortably placed and satisfies his employers, he ought not to be tempted by an increase of emolument or higher wages rashly to change a situation which has all the appearance of permanency for one which may be of no long duration.

SECTION XXXVIII.

OF BUYING.

Buying is the foundation of selling; for if a person buy well, he can always sell well; or, in mercantile phrase, if goods are *well laid in*, they can always be sold readily and at a profit; while if bought too dear, they can never be sold without difficulty, and most probably but at a loss.

The purchasing properly, again, can only be done by a person who is a judge of the value of the article to be purchased—*quality* and *price*, the one including the other; or, in other words, acquainted with the state of the market, and for which purpose he would require to be constantly in the market. In fact, while the difference between one price and another is a thing palpable, obvious, and apparent—not so of quality; a nice discrimination being required to distinguish its different shades, which are often such as to defy the practised eye; and it is a remarkable circumstance that, in many instances, (as for example in hardware,) the experienced buyer has yet no other mode of judging of quality than by price; in that case, of course, placing his reliance on the character of the seller. And this leads to what must ultimately be the object of every buyer—that is, finding out and dealing with the most respectable dealers; yet as who, nevertheless, still are those who furnish the best article at the lowest price, placing his reliance always chiefly on himself. It follows that *market-price*, on which we have laid so much stress, is still to be settled by the transactions of individuals, and therefore to an extent uncertain as well as variable.

As to fixed property—lands for example—a reference is generally in the first instance made to land-surveyors or

agriculturists, or both—houses, to tradesmen, keeping in view that tradesmen, from whatever cause, generally value high. So far must we or do we in such cases, have recourse to or rely upon the skill of others. Yet after having received their report or valuation, a person is never to renounce the exercise of his own judgment, but still reserve to himself the power of deciding on the correctness of the principle upon which such valuation has proceeded, and a general comparison and review of all circumstances;—as is more particularly illustrated by the higher case of engineering, or where a great work is concerned, the practice on such occasion being to consult several engineers, with a reserve to the unscientific to decide between them, and out of many plans to select the best.

Value, therefore, being ascertained, the offer is to be made without regard or reference to the price asked; and let it always be recollected, that the way to obtain a good bargain is to be indifferent whether we make a bargain or not. For if we allow ourselves to become anxious or eager about the matter, set our hearts upon a thing, we generally practise an imposition upon ourselves much greater than any imposition that can be practised by another; or at least it is this which prepares us for, and gives effect to the imposition of others.

SECTION XXXIX.

OF SELLING.

It has been observed that buying cheap or well, is the preliminary step to selling to advantage. When this has been accomplished, the future process is easy. As corresponding, when a person has got rid of his bad articles or

the inferior part of his stock, there is no difficulty with the remainder. Therefore is his chief concern always about the former; to sell or dispose of them first or in preference.

Haggling, or asking one price and taking another, is now a practice held in disrepute, and not in use among respectable shopkeepers, much less among merchants, if ever it was so; and but one rule applies to sales of whatever nature, as well if we look to the interest of the seller as of the buyer.

Thus if a person has an estate, a house, or a ship to sell, the proper way to sell it, if he does not think he has a fool to deal with, is to ask near about, if not exactly, what he will take, that is, the value or market-price for the property; for if he ask a very extravagant price, the intending purchaser goes off, and never looks near him again, conceiving it impracticable to deal with him. Nor can we understand why a similar rule should not apply to offering when a purchase is to be made, for great bargains are certainly an exception, rare and seldom, and never to be calculated on; and, although there may be better or worse markets, a commodity generally marketable will be obtained only at the market price. For the most part, therefore, it is but a waste of time to offer less, as it is to ask more for it. The knowledge of and acting upon this double maxim of buying and selling, constitutes what is called a *good merchant*; and where much business is done, few words suffice or pass between the parties. For although the quality of goods may seem a thing fairly debatable or distinct from price, and what would give most trouble, or to be the point most difficult to be ascertained or settled; yet is the consideration of the former but a more strict application of the latter; and where the parties understand each other, the same rule will hold in the one case as in the other, and an equal facility exist for coming to a conclusion in both.

With regard to fixed property, lands or houses—as in buying, so, as a preliminary step to selling, a reference to professional persons to ascertain value seems indispensable;

and it may be added, that the best time to dispose of either, particularly the latter, all other circumstances being equal, is when they are well tenanted.

Lastly, as to shopkeepers, it is to be remarked, that, if haggling be the custom of the place, a shopkeeper must conform himself to it, or the inferior state of society it indicates—setting a higher price than he means to take, for the express purpose of coming down.

SECTION XL.

THE LETTING OF LANDS AND HOUSES—PRINCIPLE APPLICABLE TO.

As connected with the subject of the preceding section, naturally follows that of *letting* ; which is, in truth, a conditional sale, or sale of the use of a thing for a limited time.

The rule, therefore, laid down in Section 3d, as to selling goods, applies equally to the letting of an estate or a house ; although perhaps not exactly upon the same principle—in the first case, having in view chiefly the keeping of customers as a general principle, (it being always understood that such customers are worth keeping)—in the second, the making the most of a single article or individual thing ; although both proceed on the utilitarian maxim—the greater profit the greater good. With regard to lands, indeed, this rule is always acted upon—that is, a person always lets his lands at the market or present rate of rents. Not so, however, the owner of houses, often allowing them to remain empty, rather than lower his rent, or let them for less than he conceives to be their worth. Now this is evidently erroneous, it being vain to expect more for any thing than the common or market price, (which is in truth its value), and all the

time the property remains empty is a dead loss. The mode, therefore, should be always to let at the current rate, whatever it may be ;—when rent falls, to lower rents ; when rent rises, to raise rents.

Let us not, however, be misunderstood. It is not meant that a person is to take any rent offered. There is such a thing as firmness ; and a proper adherence to price carefully and duly fixed, so far from being blameable, cannot be considered other than praiseworthy. There is also a difference between a house remaining empty for a short time, say half-a-year, necessary, as the case may be, for a fair trial, and to ascertain the state of the market, and for years ; and whether a tenant shall leave a house or the landlord lower his rent, sometimes comes to be a contest something like a battle, to be decided by who is willing to suffer the most or encounter the greatest hardship ; but if the property remain for any length of time empty because the rent asked cannot be obtained, we consider the matter decided experimentally against the landlord.

It may not indeed be amiss here to mention a practice very common, but which we deem erroneous ; that is, when a shopkeeper has raised a business in his premises—for the landlord to step in and insist upon having the whole benefit of what has cost his tenant years of good conduct and industry to rear up, and as his trade improves continually to raise his rent. This we conceive to be not only unjust but impolitic, and generally ends in driving the occupant to shift his place ; when the shop, or whatever it may be, falls to its original value, or what it would let for without his exertions, (which is in fact its proper value, and beyond which it should never have been estimated), and the landlord loses a good tenant. Yet so far have we seen this carried, that we knew an instance where the landlord demanded an additional rent of his tenant, in consequence of the latter having improved and ornamented his property, (having been raised to the dignity of Currier to His Majesty, and, besides

enlarging his window, put up a huge lion and unicorn over his door)—alleging this as an evidence of a good trade. Properly punished no doubt he was, as the tenant immediately quitted possession, and he was obliged to let the premises to another at a lower rent.

The inference, therefore, is, that we ought never to make the prosperity of a tenant a reason for oppressing him ; but rather rejoice at it as a security for the payment and continuance of the rent ; for it may be remarked that shopkeepers, as shopkeepers, without any accelerating cause, are in general but a short-lived race, or soon come to the end of their career, so that in the course of a few years, the same shop will often have seen several new faces, in the shape of occupants, and undergone many and strange metamorphoses.

It is hardly necessary to add, that there is here obviously a choice of persons as well as of prices, and that it is not always he who offers the highest rent, but he who is most likely to pay, who is to be preferred.

SECTION XLI.

PROPRIETORSHIP OF LAND—CERTAIN RULES APPLICABLE TO.

As connected with what is contained in the preceding section, it may be laid down, that, if a proprietor of land is much in debt, his plan should be to sell as much as will relieve himself ;—and he can always buy again, if he is desirous of holding land, when he finds himself in cash. This is founded on the circumstance, that a person may always obtain a higher return for his money in any other investment than in land—that is understood as an ordinary investment in land, or as an investment in it on an ordinary

scale, which it here most especially must be ; so that for a person incumbered with debt to pay a high interest and receive a low, must soon lead to ruin.

It follows from the same reasoning, that, if a person has only a little money, say £8,000 or £10,000, he should never invest it in land, because, as it will then only yield him, he will be constrained to live upon a narrow income. It is the rich or very rich only who can afford to indulge in the luxury of holding land ; which, according to Dr Adam Smith, is always a monopoly, and therefore must be paid for at the monopoly price. Or it is the greater capitalists only who can afford or ought to speculate in it.

To all rules, indeed, there are exceptions, and consequently to the above. One of these, perhaps, is where a person is proprietor of an estate much incumbered, but to which he is attached by family ties or other peculiar considerations. In this case, he may be inclined to hold on at a loss, in the prospect of relieving, by a rigid economy, that which, if he once quits, he can never possibly regain, and the loss of which no pecuniary advantage can compensate ; and so far he may be justified by circumstances ; but the general principle remains unimpeached and untouched—and the economy must always be understood.

SECTION XLII.

RETAIL AND WHOLESALE.

The advantages of *retail* are that the profits are great, the risk comparatively small ; the disadvantage, that the trouble is great.

The advantage of *wholesale*, is that the trouble is small ; the disadvantage, that the profits are small, the risk great.

For a retail business, a small capital is sufficient, because a great proportion of it is made up of labour; for a wholesale business, a great capital is necessary, because the profits rise little above the ordinary rate of interest. Therefore, in this latter case, a person must be understood to live rather on the produce of his capital than of his labour. In the retail trade, a small proportion of capital comparatively is put to hazard along with a great proportion of labour;—in the wholesale, comparatively a great proportion of capital with a small proportion of labour.

With regard to *professions*, again, such as those of lawyer or physician—they so far resemble retail, that, except in the preparatory of education, they involve the risk of little capital; and, it may be said, so far wholesale, that the payment for labour in them is niggardly, or, as already mentioned, always grudged, as undisguised, nothing seeming ever to be given for what is received.

A manufacturer, it is obvious, is ever to be considered a wholesale dealer; the extent of the capital required for his business, and his whole employment and mode of carrying it on, possessing all the characteristics of the wholesale.

It is understood among merchants that the wholesale and the retail trade should, on the principle of the division of labour, never be conjoined; the attention and habits required for the one being incompatible or at variance with those required for the other. Yet speculation may and often must, to a certain extent, be conjoined with retail, as will afterwards be shewn, although certainly it is more congenial to wholesale.

SECTION XLIII.

OF CHANGING FROM ONE COMMODITY TO ANOTHER—A
LEGITIMATE MODE OR SPECIES OF.

We have heard of those called general merchants ; but cannot conceive the term to mean more than that such are dealers in a multitude of articles, these articles being still the same ; otherwise, on the reasoning already submitted, it would seem they would be undersold by the regular or constant dealer in each particular or separate commodity, and brought to ruin. To the broker, as merely an agent for others, the objection does not apply.

It is indeed possible to be a rambling merchant, or to change from one business to another with advantage ; but the extent to which this may be carried, we should suppose can never be great. The object is an extra profit, and the mode thus.

A person looks out for an article but lately come into use ; in which the competition is little, the profit consequently great. This article, we shall suppose, is rape-cake for manure, or oil-cake for feeding cattle. It is some time before it is generally noticed by other dealers : but when their natural cupidity is aroused, they endeavour to obtain a share of the business by the ordinary means of competition or cheapness, till they reduce it to the common level. It is then, we shall suppose, abandoned for bone-dust, till the competition in it become close, when bone-dust is abandoned for nitrate of soda or something else ; and so on.

Now this, it will be observed, is quite a regular trade so long as continued in the same article ; but a precarious one on the whole, objects of novelty being difficult to be found, and therefore liable to be soon exhausted. There

are, however, perpetual changes, and new fashions constantly occurring in society; and, not only for the purpose of gain, but to avoid a loss, is it necessary to go along with others.

This Dr Adam Smith seems to confound with speculation—see passage last quoted in our preface from vol. i. chap. x. of his work, page 131, Glasgow edition, 1802—where he talks of a merchant “entering into a trade when he foresees it is likely to be more than commonly profitable, and quitting it when he foresees that its profits are likely to return to the level of other trades;” but we shall afterwards shew—first, that this is not speculation—secondly, that trade and speculation are two different things. At the same time, it may be proper to state, that we are not certain that the meaning ascribed is his meaning, the passage being so vague that it is difficult to discover any precise meaning in it. It may with as much probability apply to what is discussed in Section XXII. Class I. Branch I. of Speculation—founded on the seasons of the year—to follow.

SECTION XLIV.

EXTENDING BUSINESS FOR THE PURPOSE OF EXTENDING CREDIT.

Suppose a person to do business to the extent of £2,000 a-year, and to have fallen behind £1,000, if he extends his business to double the amount, say £4,000, he reduces his deficiency to half the amount relatively; that is, his property as to his debts is now equal to 15s in the pound, whereas formerly it was equal only to 10s.,—or he is now 5s. in the pound behind, instead of as formerly being 10s. This in many cases operates as a relief; if not effectual, at

least palliative, and postponing the evil day. In this way, it will happen that a person who should never have got any credit at all, goes on constantly adding to his business, and adding to his debts till at last he fails for an enormous sum; as we have known one of this description do to the amount of £30,000.

The extending of business is not therefore always a sign that a person is doing well; but occasionally, or it may be the reverse—that he is actuated by the load, or accommodating himself to the pressure of debt; as lengthening the road up hill is found to diminish the steep.

A conduct indeed we not unfrequently witness, is for a person on the eve of bankruptcy to establish a new branch of business, perhaps in a different part of the country, or even in a different country—a house at Amsterdam, we shall say, in addition to his house in London, for the purpose of giving currency to bills—or, what is more extraordinary in such circumstances, yet not altogether unaccountable—to build an expensive house, or launch into some extravagance of a similar nature, indicating to superficial observers wealth, but to deeper mere desperation.

Generally, in truth may we observe it is impossible to know what a person at any time is worth from his ostensible or apparent property, whether real or personal, unless we are informed of or know the amount of his debts, which necessarily fall to be deducted before the net or proper residue can be ascertained. Therefore becomes it requisite often to look a little farther than to mere appearances; to compare circumstances and have our wits about us;—to be if possible, as the phrase is, at all times wide awake; for an impostor of course appears ever in any character, but the character of an impostor.

SECTION XLV.

BANKUPTCY.

Expedients similar to those we have described in the conclusion of the preceding Section, or perhaps even throughout, it is evident can only serve a temporary purpose ; and therefore having recourse to them with the view of propping up and continuing a business which must soon come to an end, and by which a loss is daily sustained, must be an act of pure folly.

It is indeed universally agreed, that when a person finds a business will not do, the sooner he gives it up the better. So much in justice to himself. But if he is behind, this is imperative in justice to others ; because the sooner he stops the more he will pay ; the longer he goes on the less. Yet this is a resolution which few have strength of mind or virtue sufficient to adopt ; most persons in embarrassed circumstances, from a false shame or mistaken pride, commonly going on as long as things will go on with them. We have indeed lately witnessed at least one very honourable exception or instance of an opposite nature ;—the failure of a banking company who had very large sums of deposited money in their hands, and who, if we mistake not, might have gone on for twenty years longer than they did, by the simple expedient of merely paying the interest out of the principal ; of course making things always worse. Their stopping, therefore, at the time they did appearing to us a high act of honesty, may be here properly alluded to, if not by naming the parties at least in general terms.

There is, however, another point of view in which bankruptcy is to be considered, if not as establishing a principle, certainly suggesting a caution. Bankruptcy, as the negative

temptation of poverty and distress, (certainly out of all comparison, although both are said to be trials, a greater than the positive of prosperity and riches,) is injurious to the morals and self-respect of the individual. The subject is a delicate one. We shall not therefore go the length of some, and say—if a person has been once bankrupt his principles are shaken—if he has been twice bankrupt he is good for nothing. But we certainly may say, that although there are many men who have preserved their integrity notwithstanding bankruptcy, those who have come through such an ordeal pure and unsullied have great merit. Some very creditable instances indeed, if we were at liberty, we could name; but it is evident that these form not the rule but the exception.

There are persons of a different description, it is to be hoped few in number, but undoubtedly there are such, who carry on business not for the sake of business, but for the sake of the credit which it produces, and to whom it is matter of indifference whether they make a profit or not, provided they get other people's property into their hands. To these bankruptcy is a business—failing is a trade—on which the gain is often as high as cent. per cent.

SECTION XLVI.

PARTNERSHIPS.

In the present Section we mean to confine ourselves to the simplest mode of this species of contract, that which may be understood by a union of interests between two persons for the purpose of trade.

Now when we consider what human nature is, it will appear that the utmost circumspection is required in forming partnerships. A person cannot exactly or altogether calcu-

late on the prudence or steadiness of his own conduct. How then shall he calculate on that of another of whom he knows so much less? In the most favourable construction therefore, laying aside or leaving out of view the many bad characters with which the world abounds, and too frequent instances of breach of faith among mankind, simply to take a partner or enter into partnership would seem to be to double the hazard. So far do we in fact commit ourselves into the hands of another or of others.

We are in truth but weak and changeable beings; and no man, whatever be his character, is implicitly to be relied on. A person therefore who has a partner must often be anxious about his conduct; the connections which he forms, the separate engagements which he contracts or undertakings he adopts, the expenses which he incurs. To him the least irregularity, excess, or extravagance, will probably appear but the beginning of a system of which it is difficult to foresee the termination; while on the contrary, so long as we stand by ourselves, if we are guilty of any imprudence, we have the best means of forming an idea how far it shall go and where it is to stop, and the consolation, if consolation it can be called, that no one is involved but ourselves.

So long also as we stand by ourselves, we can follow our own views, choose our own undertakings, and extend or contract our business, accept this or reject that, without consulting and without the control of another; without objection to that which appears advantageous, and without reflection when a result turns out adverse.

That two heads are better than one, is a maxim the correctness of which cannot be denied, and which must be admitted as so far or to a certain extent modifying the opinions laid down. The concurrence and support of another also gives us confidence in our determinations; but all are not cases of difficulty, and the question comes to be whether such occasional advantages be sufficient to counterbalance what seems to amount nearly to a perpetual and general disadvantage.

Partnerships, to be proper, must proceed upon mutual and equal advantages of one kind or another ; and that many good and fortunate partnerships are formed between equals in capital, and even between capitalists and operative or active men, cannot be doubted. But the most natural partnership on both sides, we should conceive to be where the parties thoroughly know each other—where a master, finding his business increasing beyond his management, takes in one who has long been a faithful servant, or a young man is assumed by his superiors in years and influence. This gives the security of services on the one side and responsibility on the other.

It is, in fact, the *sleeping partner*, the person who either does not understand the business, or takes no share in its details, who in a case of this kind most commonly suffers ; and we have known an instance where the active partner got rich while the business incurred a debt ; taking care that it should pay him whatever it did in other respects. Happily indeed if this be all—when we advert to the nature of the law on this subject, by which a person becomes, and properly becomes, responsible to the extent of his whole private fortune for the debts of the company of which he is a partner. Not that there may not be instances where a sleeping partner is not only perfectly safe, but shares a lucrative concern ; but in such case we would say, besides being fortunate, he must know well those with whom he is connected.

As to palpable or gross snares under the form or offer of partnership, intended to entrap the unwary, the last resort of the desperate, and which are of every day's occurrence, no other rule can be given how to avoid such than the general rule of vigilance in all transactions, and that degree of caution and suspicion which is never misplaced.

SECTION XLVII.

COPARTNERY CONCERNS.

The superior interest which an individual has in that business which is his own exclusive property or concern, would appear in all ordinary cases, to be an overmatch for the divided interest which takes place in that which is the property of many ;—in the unity of purpose and will, and the care and economy which it must ensure. This applies chiefly to *joint-stock companies*, to be afterwards more particularly noticed, but in a measure to all copartnery concerns whatever.

A distinction indeed is to be made between what may be termed *partnerships*, even understood in a wider sense than that in which we have already used the term, that is the proprietorship of a few, and joint-stock companies, the proprietorship of multitudes.

Of the former, there are two kinds ; first, where delegation and *management by a manager* take place, where, if unity of purpose and will be admitted to exist, the zeal of interest, as in the case of joint-stock companies, is to a degree wanting ; and in corroboration, it will be remarked, it is in most cases of this kind deemed necessary by the copartners to insist on the manager holding a share to give him so far the proper interest, as well as where an adequate salary is paid, to stipulate that he shall engage in no other business.

In these the manager acts under the immediate inspection of the partners ; which, notwithstanding the delegation, must be admitted to form a great distinction between them and joint-stock companies, which are always managed by substitution. There are undoubtedly many thriving concerns

of this nature, and which often compete very successfully with that belonging to a single individual; of which partnerships in ships furnish an instance, the shipping trade being indeed chiefly placed on this footing. Yet in some instances the trust committed or the risk incurred here is no joke, always increasing as the concern becomes extended. For instance, the manager of a large distillery, where so much capital is constantly afloat, might in a few months, if left to himself, by the double process of selling to improper persons and contracting debts, do immense mischief; so that his constituents might some morning awaken to the consciousness of their own ruin when they least dreamt of it. Hence, when we consider the element of change which belongs to human nature; that the prudent may become imprudent, the industrious idle, the careful reckless, the sober dissipated, nay that some change less or more is constantly at work in every character, to say the least a relaxation taking place in the principles of the best—all practicable checks, including a perpetual surveillance and frequent examination of books, will be deemed necessary.

The chief security, however, in a case of this kind, will be the separation of the offices of manager and cashier or book-keeper, the one forming a restraint upon the other; and to the latter of whom, perhaps, in preference, will be committed that most delicate of trusts, *the power of signing the firm*; a power which requires only to be named to shew its tremendous nature. This is indeed a principle now admitted or recognised in all well-conducted banking establishments and their branches, in which an accountant as well as a manager or agent is regularly appointed; omission and commission being here of equal importance, as lately happened with the branch of a certain northern bank, where the manager did his employers out of no less than £16,000, by the simple process of merely giving receipts for deposited cash without entering it in his books.

Of the second kind of partnerships, is the association of a

few persons who act directly by themselves, and where there is no delegation. Of this kind may be instanced, companies for the manufacture of different kinds of cloth, iron, hardware, porcelain, &c., which are scarcely if at all to be distinguished in result from a business belonging to and carried on by a single individual;—or to be viewed only as accompanied with the drawbacks or abatements which have been already said to belong less or more to partnerships;—which, nevertheless, if they have disadvantages, must be allowed also to have their advantages, in so far as mutual communication and support, a union of stocks and an interchange of ideas, are concerned.

SECTION XLVIII.

JOINT-STOCK COMPANIES.

An efficient control may perhaps be retained in a small or moderate-sized joint-stock company, but can hardly be so in a large; and the more extensive the scale on which such companies are constituted, the more difficult always must this be, and the more unsuccessful or ruinous do such, of a commercial nature at least, always prove.

This indeed the history, not of one only, but of numerous joint-stock *trading* companies, serves to confirm. The Royal African Company, the South Sea Company in a special manner, the French East India Company, our own East India Company, with a host of others, which would furnish some very remarkable details, of more kinds than one, had we room for them. The latter of these, however, we shall only advert to in this respect; and with regard to it, it may be sufficient to state, that, while private vessels could be obtained for the voyage to India under £5 per ton,

(now we believe for £3,) they did not sail theirs at a less expense than £17 per ton, and sustained a loss by all their trade except the importation of tea, by which, through their monopoly, in consequence of its universal use in Great Britain, they were enabled to levy a contribution upon nearly the whole inhabitants—yet serving little more, great as it was, than to counterbalance the losses sustained by their other mercantile transactions, and enable them to pay a moderate dividend on stock. What, however, lets us into the true secret of such transactions, is the fact—that while the company was constantly in debt, its servants were always rich, and made enormous fortunes with the least possible exertion or industry.

There are, however, particular purposes or undertakings for which joint-stock companies are peculiarly fitted. These are reduced by Dr Adam Smith to four, viz. banking, insurance, a canal, and bringing water to a great city. He might have added a turnpike-road and a toll-bridge, and, had he been now alive, would probably have added a dock for shipping, a rail-road, and a gas company. The extending of his approbation to the above mentioned, he justifies first on the principle that the management of all of them can “be reduced to what is called routine, or to such a uniformity of method as admits of little or no variation.” He might indeed have said a simple routine, that is, consisting not only of a uniform method, but one containing but a few rules or little variety. Secondly, his approbation is bestowed on these as requiring greater capital than can be furnished either by an individual or a common copartnery. And while this last forms one of their characteristics, it is evident that individual or private competition is excluded, and that they cannot therefore be exposed to the ruinous consequences which might in all probability be inferred from it.

As to strict management indeed, such is only attainable in them with a certain approach to perfection. There is

an incurable vice which belongs nearly to all great joint-stock companies at least ; which is, that, although their constitution is almost uniformly founded or formed upon the proper principle, or *theory* of representation and responsibility, the *practice* it may be said is, nearly without exception, nomination—for the directors to name their successors, who in turn name those who named them, so that of the same set one half is alternately out and in. Lists are presented, (that is by the directors,) as we read in Sismondi's History of the Italian Democracies was the case in some of these in the election of their magistrates, not for discussion but for approbation ; a practice, so far at least as joint-stock companies are concerned, in some measure unavoidable or rendered necessary by the nature of the case, as it is only those who know and respect each other who will consent, where there is no personal or pecuniary advantage, at least of moment, to act together. It is true a real poll-election by signed lists, (that is signed and given in by the shareholders,) takes place in some companies, such as the East India Company ; and to such of course the objection here urged does not apply, although, while we give the East India Company as a proper instance in this respect, it must not be inferred that we deem that company suited to the other two purposes for which it was established, viz. trading and the government of a great empire.

Again, in large public bodies which are unaccustomed to act together, and which meet say only once a-year, it may be laid down almost without limitation that there can be *no discussion*. Indeed, if we refer to Parliament, it will appear it is only by the adopting of rigid rules, long training, and that experience by which a member arrives not only at a knowledge of his fellow members but of himself, that so multitudinous an assembly can be brought to act with such propriety as to admit of any business at all being done ; that those who really understand the matter in hand should be allowed to take the charge, and those who do not under-

stand it should be induced to refrain or remain silent. Now, on the contrary, on the occasional meetings of joint-stock companies, where a knowledge in the members is wanting of themselves and of each other, it most commonly happens that fools take the lead, and wise men are reduced to the condition of, and are obliged to content themselves with being lookers-on. Hence the difficulty or rather impossibility of effecting any the least alteration in the mode of management of such concerns by means of *motions*, that is which are not previously sanctioned by those in the management, and the absolute power possessed, or unqualified discretion exercised by the directors. In point of fact, we were told by a manager of one of these companies, that a single attempt of the kind had prejudiced the company in the opinion of the public, as tending to shew that we were quarrelling among ourselves; so that the only alternative would seem to be a passive acquiescence. Such, however, appears the check which *publicity* alone affords against malversation and abuse, that the management in many great companies is much more pure than at first sight might have been anticipated. Yet apparently unable to compete with a private concern or common copartnery where practicable, it is clear, as already stated, they can never be justifiable or established with prudence but in cases where the capital required cannot be furnished by an individual or common copartnery.

With respect to such companies, a particular distinction falls here to be drawn between one class and another, as applicable both to the public and the shareholders. Thus as to canals, rail-roads, docks, and such like, as the responsibility of the shareholders is limited when the work is completed, so the security of the public can never be said to be involved. Not so, however, as to banks and insurance companies. The risk and responsibility here, besides being great, is both with respect to the public and the shareholders, as well the one as the other, constant and perpetual;

and hence, so far as the former is concerned, a great proprietary is necessary for their safety. Nothing, therefore, in this respect could have been more improper than the law formerly enacted for the purpose of giving a monopoly to the Bank of England, which prohibited any other banking company being formed consisting of *more* than six partners. The law to have been consistent with just or right principles, should have been the reverse of what it was, and prohibited a banking company being formed consisting of *less* than six partners; yet nevertheless serves to explain what just principles are, having been intended to stand in the way of and crush all other banking establishments. It is a proof that one false step requires another, and but a specimen, as it was a part of the whole policy of the period by which the country was misgoverned, and its resources misapplied and wasted.

Banks and insurance companies have, however, this advantage over canals, rail-roads, and such like, that their stock, consisting of money and remaining in money, can be withdrawn from the business if it shall not pay; whereas, on the other hand, a canal or a rail-road once made, the deed is done for ever, the stock is fixed, must continue in the shape which it has taken, and can never be removed or recalled should the project fail or miscarry.

In truth, all joint-stock companies seem to partake of the nature, and in some degree to come under the description of, *joint adventures*, associations for a purpose which is but a by one to those engaged in them; each individual member having his own separate pursuit or profession which engrosses the chief part of his time and attention; and therefore are they, besides their direct public usefulness, suitable to the convenience of private persons as absorbing their spare and superfluous capital.

The great object in cases of this kind must be to obtain good directors, who will proceed cautiously, and stop in time if the business will not do; and in great concerns it should

ever be kept in view, that it is not so much an acquaintance with details as a knowledge of general principles, the sagacity which enables a person to decide on a large scale—when to avoid a dangerous novelty, and when to quit the beaten track—which qualifies one for a manager or a director; a small error in or misconception of general principles, being often attended with a loss which no individual labour or attention to details can ever make up for or compensate.

SECTION XLIX.

INSURANCE—THEORY OF.

Insurance seems to contain a principle of its own. We may, however, first state that we deem it, whether against sea-risk, or fire-risk, or on lives, not a speculation but a trade;—proceeding upon the principle of furnishing a fixed commodity at a certain price—fixed indeed in fire-insurance, the rates for specific risks in which never varying. Equally fixed are the rates in life-insurance according to age; and if those on sea-insurance are affected by the seasons, &c., yet is the price here more uniform than that of most commodities.

The great principle on which all insurance proceeds, whether sea, life, or fire, is *average*, the spreading of the general loss over the whole insured; or the uncertainty of individual events, and the certainty of general or cumulative. For instance, the duration of the life of any one person is very uncertain, but the average duration or term of human life is very certain or well established. So also in sea or fire insurance, the destruction of any particular or individual property is a matter of uncertainty, but the average amount

or value of the property destroyed, or that will be destroyed, within a given time, is a thing pretty well ascertained or settled.

It follows, therefore, from what has been said, that the less the risks, (that is each individual risk,) in amount, and the greater the number of them undertaken, the more nearly is the business reduced to a perfect average, and the better conducted; although it must be confessed, indeed, this principle is thus far subject to the modification of another, that an underwriter in very extensive business, or a company on a large scale, may fairly take risks of greater individual amount, than those may properly do whose scale of business is less. Those again of small capital are to compensate by a reduction of the amount of individual risks, (that is of each risk,) which it is apparent has here exactly the same effect as, or is correspondent with an extension of capital; and therefore, that although the latter may not be in their power, the former always is.

This average *the premium* is understood to represent; and its specific amount, according to the different cases or classes of cases, insurers must calculate for themselves.

To discuss the choice of risks, for which there is considerable latitude, and by which one insurer or company may have an advantage over another or conduct their business better or more successfully, would be to enter into the minutiae of the subject; but we may mention the fact, that, although the tables of the endurance of human life are made up from all classes of society indiscriminately, the cases accepted by the offices for insurance are select or choice cases of the healthiest individuals, and that therefore these tables do not give a fair representation or form no correct data for judging of the practice of the offices. At the same time, it is but fair to state, that these offices are liable to many frauds or impositions, which must be allowed to form a set-off against the advantage here alluded to. And the shameful or rather shameless laxity with which certificates are grant-

ed in cases of this nature, and by means of which one man is robbed merely to oblige another, cannot be too much reprobated.

SECTION L.

THE STAGNATIONS OF TRADE.

We have spoken of the *oscillations* of trade. These apply only to or consist in the differences which take place in a particular business at different times, or at one time as compared with another. But in addition, there are occasional *stagnations*, which seem to affect all businesses, and spread over the whole face of the community ; and which at first sight appear very remarkable, if not unaccountable. Thus all men are willing to labour for hire or reward ; a shoemaker never refuses to make shoes for payment ; a lawyer is always ready to work for his fees ; a shopkeeper to sell his goods for a price. The great complaint is the want of employment ; “too many in every profession,” we are perpetually told. Now as one man merely exchanges the produce of his labour for the produce of the labour of another, (*money* as already said, that is considered truly as money, and distinguished from value in bullion, being only the instrument or medium of exchange,)—how can this be ? How comes it that any person should want employment, or at least that there should be an *over-production* in every line or in *all* businesses ? All men having the materials of exchange ready in their hands, and being willing to exchange, the thing in theory seems impossible ; but such nevertheless would appear at least to be the fact.

Without taking into view the effects of capital or the want of it, which can never account for the circumstance, as capital itself often cannot be employed, or at least advan-

tageously employed, the matter may however stand thus. It is difficult to establish an exact understanding or concert between two individuals; and this concert becomes infinitely more difficult to be established in society, through its endless ramifications and varieties of opinion and pursuit. But it is of the utmost importance to the proper working of the affairs or the industry of mankind that such concert be established; for on the industry of one man depends the industry of another. If he takes nothing, he gives nothing in return. But a reference to fact, or what has already taken place in society, may perhaps place this matter in the clearest light. Thus, what an animation, spirit, and activity does a war, or any other great event which unites all interests, inspire into the community? Take away this stimulus again, how long is it before the capital engaged in it, or in producing the materials which it requires or consumes, can find its way into new channels of employment?

Hume says—"A single man can scarcely be industrious, where all his fellow-citizens are idle." Now we would go a good deal farther, and say—one idle man in society seems to make many; just as one person in a crowded street who stands still or moves slowly, (the latter said to be the art of walking the streets—that is to a person's own comfort and convenience, but to the discomfort and inconvenience of every one else,) obstructs the passage of the whole, and makes even those going the same way with him take a circuit round him.

The truth is, the stagnations of trade originate in or take their rise from the very same causes as do the oscillations of trade; although the one set of effects or consequences are individual or confined to a particular business, and the other it would seem, general or to extend over all.

That, however, such stagnations can literally or truly extend over the whole community, or that there can ever be a perfect and complete cessation of all business, can never be admitted. Of course, the common and ordinary business of the

country never ceases or is in abeyance ; the baker still bakes, the brewer brews ; the tailor fashions garments, and the miller grinds meal ; the grocer furnishes us with groceries, and the coal-merchant with coals. In short, the indispensable trades, those which refer to or grow out of things of first necessity, may suffer diminution more or less, but never exactly or altogether stop. If, indeed, we can conceive a universal, thorough, or all pervading dulness, (not to say cessation,) ever to take place, it must be after such a period as the late war ; which formed a business to all.

The evil resolves into a disproportion between consumption and production ; and as almost all men are producers as well as consumers, or at once furnishers and customers, simply that they produce faster than they consume, that their consumption does not keep pace with their production, would seem sufficient to account for the accumulation of stocks or non-exchange, or to cause each as customer to the other to lag behind.

This over-production generally takes place in those businesses in which over-production is most easy, the trading or manufacturing part of the community. When it takes place in one business and to a certain extent, it is the oscillation of trade—when it goes farther, and takes place or shews its effects in many or great interests, it is the stagnation of trade—the same thing, but in a greater degree or on a greater scale—multiplied and extended or aggravated. Most commonly it belongs to or originates with a particular *class*—manufacturers, or even a particular class of manufacturers, as in 1837—the cotton—spreading itself far and wide, involving the whole trading part of the community at least, if it does not in fact at the period begin with such,) and even extending its influence to those engaged in producing articles of first necessity—the artisan and the labourer ; among those indeed whom it immediately or directly affects, cotton-spinners and weavers for instance, while it occasions destitution and distress, at the same time generating its natural

concomitants, disease and despair, and to a certain amount crime.

When this over-production, or as it is generally called *over-trading*, takes place in the community, it is necessarily followed by exhaustion, relaxation, depression, and distress—which again, after a time, are succeeded by a period of unusual briskness and activity. Thus after the year 1815, (the termination of the war,) a period of great and unexampled depression followed, multitudes were thrown idle, prices instantly fell, and capital which had been so greatly increased and accumulated, became redundant and could no longer be profitably employed. This state of things continued till about the year 1825—when men became impatient of the continued stagnation, and in their despair set themselves to work to force trade, which for a short time gave the appearance of a natural activity and revived prosperity—soon indeed to be followed by a deeper and prolonged depression and distress. From the shock which the country suffered on this occasion it did not recover for eleven years—till 1836—when prices again got up, demand and employment became general, and we had the appearance of trade and prosperity having again returned to the country—to be followed by another period of stagnation and distress in 1837.

There is no doubt that the two stagnations or periods first mentioned, as well as the forced trade which preceded the latter of these, are to be traced to the late war, an event of almost unparalleled importance in the history of this country, and extending its effects over the whole civilized world; but it is equally certain that such alternations or periods of activity and relaxation, or prosperity and depression, must, although in a less degree, be at all times in operation or progress, so as to return periodically, independently of war or any other cause than the irregular or unequal exertion of human industry—the overdoing of things in particular classes of the community, which again produces revulsion;—one ex-

cess, like the high and low or hot and cold fits of a fever, always giving birth to and generating another. And the nature of which will be more particularly pointed out in the succeeding Section.

SECTION LI.

OVERTRADING—WHAT MEANT BY.

We have, in a former Section, said that wherever trade is profit is, or that trade must always yield a profit;—that is properly understood—that a person sells what he purchases or prepares for sale, and gets payment for what he sells; the former finding its termination in the termination of the latter, or trade ceasing when it ceases to remunerate. Strictly, therefore, there can be no such thing as overtrading, for the more trade the better, provided it really be trade; and the term is very apt to puzzle or mislead, particularly with regard to the exchanges. Thus, we are told as soon as overtrading takes place, the paper-money becomes redundant, the exchanges turn against us, and the gold flies the country; or *vice versa*, that the exchanges being against us and gold leaving the country is a sure sign that the paper-money has become redundant, and that overtrading has taken place. Now all this is inexplicable on the laws of trade or terms used; that is, on the idea that we sell while we buy, or export while we import. But this is not what is meant, and the whole proceeds on a fallacy or wrong use or misapplication of terms. Nor does the state of things here referred to appear properly described by the epithet of speculation, which is often used; none of the real characteristics of which it seems to possess, and therefore if speculation it be, it is one of an illegitimate as of an im-

prudent kind ; for to manufacture without orders, to order without immediate sales when prices are high, is contrary to every rule.

The truth is, what is meant by overtrading is no trading at all—unless that be trade where the buying is all on one side, and there is no exchange or reciprocation. It is merely a particular name for a particular thing, for a mode of error of conduct, or miscalculation of the relation between the supply and the demand ;—that is, a person buys more goods than he can sell, manufactures more than he can find purchasers for ; in short, overstocks the market. They therefore lie on his hands ; and it is easy to conceive in such circumstances, so far as foreigners are concerned, or he is connected with them, a balance will run against him or become due to them ; which must also be the case with reference to those with whom he deals at home ; but neither of which could ever have happened on the real principles of trade—that is, if an actual sale of commodities had taken place.

The term is therefore one of those which, literally taken, expresses contradiction, or leads to a confusion of ideas or no meaning, and properly comes under the figure of speech of saying one thing while we intend to convey another ; yet like profit, and many others of the same kind, is an abbreviated mode which may be properly used, and is sufficiently convenient to express a particular species of blunder—that is always if understood ; but which, instead of overtrading, would be more truly characterized by the term *overstocking*.

Where indeed this overstocking ends, it is sometimes difficult to perceive. The importer may sell to the manufacturer, or the manufacturer to the wholesale merchant, the wholesale merchant to the retailer, and all seem to go on well, or really do so for a time, a constant advance of price taking place, and each seeming to make a profit from another. The person with whom it would naturally be expected to stop is, as already said, in fact the consumer, and

with him indeed it commonly falls to limit or terminate sales; but the revulsion will first appear with the trader, multitudes having been induced to go beyond their capital by a delusive appearance of prosperity, fostered by an issue of paper and a system of discounts and accommodation—buyer contending with buyer, and the banks led off their guard by the continued advance of prices. When, however, the latter, (finding a continual call for advances without corresponding repayments or deposits,) become chary, and discounts begin to fail, sales must be made at any sacrifice. The first announcement therefore is a fall of prices, speedily followed by bankruptcies; the evil seldom terminating at a particular point, but spreading itself over the whole trading world with the most disastrous consequences—as more particularly described or referred to in what has gone before, as well as in what will follow.

SECTION LII.

ALARMS IN TRADE.

A crisis or crash, such as referred to in the preceding Section, is generally both preceded and followed by *an alarm*; the first of which hurries on the event, and the second aggravates it; and this places the subject in a twofold point of view—first, for the consideration of traders—and secondly, of those whose business it more particularly is to watch and superintend, and in some degree control trade, viz. bankers or money-dealers. As to the first, a prudent trader will naturally distrust all sudden changes or appearances of prosperity; be cautious how he joins with or enters into the current, extends his operations or purchases, but more particularly with whom he deals or to whom he gives

credit : this is a real period of danger, and to the person who considers or understands things properly, this danger will be announced by facts which seem to indicate the very reverse. To the banker also, distrust will be salutary ; but it is not to be forgotten that there is a danger also on the other side ; that the sudden withdrawal of support may produce the very evil it is intended to prevent ; and it becomes the discreet and enlightened banker at such a period to continue his advances, at least usual advances, to those whom he knows to be engaged in a regular and legitimate trade. And here, we may observe, nothing can be more inconsistent with a proper system of banking, than not going on steadily—giving too much accommodation at one time and too little at another, after leading a person into transactions suddenly withdrawing support, and leaving him in the lurch, a thing not less contrary to the interest of the banker than that of the trader, they standing in the relation of customer and dealer to each other, and whatever injuring the one in a degree injuring the other. No doubt, at such a period, the banker has a difficult part to play—to check with the rein, to moderate speed, while he does not suddenly bring to a full stop, a dead halt ; and a liberal support with a prudent caution and discrimination will be the rule. This he will adopt as much for his own safety as for the sake of another ; for *a run upon a bank* is often the consequence of an alarm, and this when carried to extreme, no bank can stand, for the simple reason, that it cannot have specie in its coffers equal to its paper issues consistent with a profit.

In 1825–26, no less than sixty private banks were compelled to stop payment, of which, however, the great majority ultimately paid in full ; a calamity we do not say occasioned by want of liberality, but, on the contrary, as we conceive, by a too great facility afforded in discounts, yet shewing in a striking manner the effects of incaution as well among bankers as among traders, and of an imprudence of which the former were evidently more the victims than

the cause, and more sinned against than sinning, although held responsible for the result, and made to bear the whole blame.

Again, in November 1836, the Agricultural Bank of Ireland, with 5000 partners, and having thirty branches, was obliged to stop, in consequence of a run, after having, between the 3d October and 14th November, paid £537,000 in gold for notes and orders. Such a run, however, on such a bank, it is obvious, can proceed only from an extraordinary state of society, the result of a continued system of misgovernment, by which the people are kept in poverty and trained in ignorance.

Same month and year, four private banks failed in England; and the Central and Northern Bank, the head establishment of which was in Manchester, with 1000 partners and £700,000 of paid-up capital, but which had spread itself to the extent of no less than forty branches, was obliged to apply to the Bank of England for assistance, to prevent it from sharing a similar fate, and which latter, it is said, advanced on the occasion no less a sum than £500,000. Even this did not save it; for three weeks afterwards, the Bank of England was called on by it for another sum of like amount, which it consented to furnish on condition of it, the Central and Northern Bank, agreeing to wind up its affairs under the inspection of one of the Bank of England's Directors.

The evil at the bottom here is credit—too much credit; as if every person spent or laid out only his own money, convulsions in the trading world could never take place; for so soon as it was expended or at an end, he would then sit down quietly and in peace. Demands could in that case never come in before the returns that should meet them. The event, however, proves nothing against the system of joint-stock banking, but merely shews the errors to which all beginners are exposed, too much eagerness or keenness in business—to be corrected only by experience, and which

once committed will in future be avoided. If we were to condemn any system on such grounds, there are few of the most common operations of life which would escape the prohibition, and which must not have been at first attended with many disasters, and reached their present state of perfection and smoothness only by degrees. In fact, we had in that case never a second time mounted a horse or sent a ship to sea; but riding and navigation are still persisted in at the risk of life in the one instance, and the certain expense of it, as well as of property, in the other; the advantage or good attending both being found to overbalance the disadvantage or evil.

At the above period also, all the banks both in England and Scotland, including the Bank of England, with which the measure originated, raised the rate of discount, (30th May 1839,) from 4 to 5 per cent., in order to give a check to the then existing excitement in trade; thus properly not confining support to particular persons, or selecting particular bills for discount, but adopting a regulation which pressed alike on all. Nay, the difficulties in the commercial world continuing, and being aggravated by those which took place about the same time in America to an unprecedented extent, and also in France and Belgium, 20th June 1839 the Bank raised the rate of discount to $5\frac{1}{2}$ per cent., and 1st August same year to 6 per cent., while discounts could not be obtained at the joint-stock banks at the same period under 7 or $7\frac{1}{2}$ per cent.

It remains only to be mentioned, when disasters such as we have alluded to do take place, it is not the imprudent alone who suffer, but all—the fall of prices going to the extent of the over-production—the alarm aggravating and increasing the distrust or destroying confidence, and a general sacrifice of property taking place, with its usual concomitants bankruptcies and compositions or short payments.

SECTION LIIL.

BANKING—THE PRINCIPLES OF.

Such evils arising from overtrading, it may not perhaps be improper to lay down here, by way of digression, what we understand to be the true principles of banking; a departure from which, if not a principal cause of, greatly assisting and aggravating these, and returning them upon the banker with the most disastrous consequences.

Banking properly seems to rest upon this—that *no sum, however small, should remain for the shortest period unemployed*, and perhaps no device could be better contrived for effecting the object. The business of a banker, therefore, is to receive money from a person who has no immediate occasion for it, for the purpose of giving or lending it out to another who requires it, a per-centage or difference between the interest which he pays and that which he exacts on discounts falling to him for his trouble and responsibility. He is, in fact, an agent for small sums between borrower and lender. Thus A has made a sale or received a payment, and having no immediate occasion for the money, pays it in to his banker B, who immediately gives it out to D, who has made a purchase or has a payment to make, and therefore requires it. When, again, it comes to D's turn to sell or receive a payment, he having no occasion for the money pays in the amount to his banker B, who then gives it out to A, whose turn it now is to require it to enable him to make a purchase or a payment. And thus the business goes round in a circle.

The same thing applies to the exchanges. A at London has a payment to make at Amsterdam; but instead of sending out the money there pays it in to his banker B in London,

who gives an order for the amount on his debtor or banker, (which comes to the same thing,) D at Amsterdam, charging a certain sum of commission for trouble, and thus the exchange is effected, saving both A and D, (or if the latter be a banker, the person for whom he manages,) the trouble and risk of transmitting money.

This we would call the *primary* principle of banking, and it necessarily involves the *secondary*; which is—that *repayments be made at short periods*, within the usual term of credit, (three months for instance,) we would say given in the community, that is as one draws out a sum from a bank another should always be putting in; otherwise it is evident the system is broken in upon, interrupted, and cannot be continued. And thus do we reconcile our principles with the maxim of Dr Adam Smith, that—"What a bank can with propriety advance to a merchant or undertaker of any kind is not either the whole capital with which he trades, or even any considerable part of that capital; but that part of it only which he would otherwise be obliged to keep by him unemployed and in ready money for answering occasional demands." For if it advanced to him his whole capital, it is impossible he could make repayment within a short period—not indeed till he finally came out of business, if ever he should successfully do so;—thus necessarily confining banking transactions, (with perhaps the exception of occasional exchanges,) to small sums—that is understood always as relative to a person's means and the trade which he is carrying on. And so far does banking rest upon peculiar principles, and strictly is to be distinguished from money lending.

That bills by the dates at which they are drawn or made payable may to a certain extent regulate discounts or repayments, is obvious; but we hold that the only rule by which their amount can properly be controlled, is that discounts should on the whole always correspond and keep pace with deposits; as the deposits are increased discounts be extended,

as the former are withdrawn the latter be contracted. The same must apply so far as a banker advances his own capital or pledges his responsibility for the purpose of circulating his notes ; for without its being returned at short intervals the circulation could not be kept up. And therefore nothing can be more inconsistent with what we deem the true principles of banking, than the practice of some English bankers of allowing their customers to overdraw their accounts to the extent of five, ten, twenty, thirty, nay ninety thousand pounds. It may, however, here be observed, that banking strictly and the issue of notes are perhaps two distinct things.

Such are the maxims which it is understood by those who have bestowed most attention upon the subject should govern the conduct of the Bank of England, and as far as we can perceive all others, who ultimately refer to this great national establishment as their proper root or the foundation upon which they rest, and which through the exchanges is the ultimate regulator, and charged with the responsibility of watching over the safety of the whole. Hence the wisdom of a minor rule adopted by many banks ; that is, they will discount none unless to those who keep an account with them ; by which means they not only ensure their custom but learn their circumstances, and the routine of their business.

That acting upon these maxims may go far to keep the banker safe, the merchant within due bounds, is obvious, imposing upon the latter the very salutary check of obliging him to sell as he buys ; but that overtrading can altogether be prevented, we believe, as already said, to be from the nature of things impossible—as in manner or nature we proceed more fully to develop, and to explain a certain additional cause as we conceive materially contributing thereto.

SECTION LIV.

THAT BUSINESS IS AT ALL TIMES OVERDONE.

The stagnations of trade must be extra otherwise they would not be stagnations, or could afford room for remark or observation. But there is one thing connected with the subject deserving of separate or distinct notice—that is, that business must be not only at all times full, but seems at all times *overdone*. When trade is in a state of stagnation, this is clearly the case; and when overtrading takes place, from the very terms used, there can be no doubt that the supply is equally beyond the demand—nay more so, though disguised by an artificial and unnatural excitement till the crisis arrives, when the bubble bursts and men's eyes are painfully opened to the ruin they have been preparing for themselves. That trade is overdone in ordinary circumstances, may indeed seem a remarkable statement; but it is to be observed, that even a new or increased demand must always be preceded by a new stimulus or increased desire, and that the way to obtain the former is to produce the latter—for so soon as any new desire or demand is understood or perceived, the same fulness, the same over-supply as formerly will be found immediately to take place—till it be completely satisfied or saturated.

This excess of supply above the demand, may in truth always be remarked in trade, whether as viewed generally or particularly. Thus a ship-owner is obliged to exert himself to procure freights, and thankful when he gets them; a shopkeeper, to advertise his wares; a manufacturer, to send round travellers to sell his goods; in fact, most to solicit custom, to puff themselves or articles; to use arts, as well as to incur expense, to obtain their object; and it is seldom

indeed that the best employed tradesman or house ever do as much as they could, or at least would wish to do. All, generally speaking, are anxious to extend their business. Nor is this the whole. There is always in every business or trade a number of aspirants to or candidates for the public favour ; who do not so much expect to live by it in the first instance, as to get into employment by their industry and patience, or the vacancies which occur in the course of time, and in the mean while hang loose upon trade.

But if we select a particular business for examination, for instance publication, we shall perhaps find this more strikingly manifest. Never was a taste for reading so generally diffused as at present ; readers may, without exaggeration, be said to have multiplied ten-fold. To meet this taste also, books are got up in a style far superior to what they formerly were ; better printed, on better paper, and better written. The art seems at last to have been discovered of giving subject as an essence ; in a condensed and at the same time light and attractive form. In short, as the public have become refined in taste and understanding, the press teems with talent. Yet how many excellent or meritorious publications have been obliged to be given up from the want of the due or proper encouragement ? and it is not long since the book trade generally was in a state of unexampled distress—evidently from having outrun the demand, from over-publishing. If also we advert to that most popular of all species of literature—a newspaper—we shall find, such is competition and its effects, that a single generation is scarcely sufficient to establish one that shall pay. In short, however great the appetite or desire of the public for any thing, the food administered, the supply furnished, goes beyond the demand. Like the Malthusian principle of propagation, the talent in society is always in advance, redundant, superabundant ; and great as are the exertions of the press, there can be no doubt that they are nothing to what they would be were there a correspondent call for them. But in no case

perhaps is this propensity to overdo things more conspicuous than in the state of a town—which, it may be remarked, is always overbuilt; there being always more houses than are wanted, particularly in the outskirts or suburbs, where they never pay, but seem as if built for the public good or the dignity or honour of the place—with but a far distant or prospective view to profit.

Now it may be asked, what is the explanation of all this? This, we conceive, will be found in what is contained in the following Section.

SECTION LV.

THE DIFFERENCE BETWEEN BUYING AND SELLING.

The cause or explanation of what is laid down in the preceding Section, or the form which it takes, seems to be—the *difference between buying and selling*. When a shop-keeper offers his goods for sale, he has added profit to prime cost; an artisan has calculated the time and labour the article has cost him, and therefore, if he obtain his price for the commodity, he can never err. And it is to be remarked, that he receives in exchange an article universally representative or convertible—*money*—for which he can at any time, (money being always saleable,) infallibly command a certain quantity of any other article or commodity, by a simple exertion of his own will, without reference in effect to the will of another; the superior saleableness of money being the exact effect or natural consequence of the less saleableness of commodities, and if the one proposition be true, the other follows as a matter of course.

This, however, is not always the case with one who buys. If he buys to sell again or supply customers, whatever may

be the probability, there is no absolute certainty of his selling at a remunerating price, and in certain businesses—haberdashery, millinery, or the hardware trade, for instance—it is well known that many articles may lie long on hand before they are called for or inquired after, and that some become what are called *shopkeepers*, or never sell at all. But all who buy do not buy to sell again. Many buy for their own use or for consumption. Now, in the first place, it is comparatively very easy or a simple matter to buy or sell for the purpose of mere profit, that is as a merchant, agent, or shopkeeper, whose interest extends no further than to a commission on the goods, or the difference between the buying and selling price, called profit; but very different to provide the means of exchange for consumption, where the whole article is destroyed or appropriated to use—serving, indeed, to throw additional light on or explain, if not the principal point, on which turns the great secret of the staginations of trade. Thus the interest of a grocer in a pound of sugar, extends we shall say only to one halfpenny per lb, while that of the consumer amounts at the present price to at least eightpence or ninepence, marking a very great and obvious distinction.

In the second place, it often happens, that when a person buys for consumption or use, he buys a thing which he afterwards discovers he did not want, or that does not exactly suit him or answer the purpose intended, or that he has been deceived in the quality or overreached in the price; and he cannot undo what is done or retrace his steps. Thus a person buys a gig, and never has occasion to travel; he buys a gun, and never finds leisure to shoot; a pair of boots, and they do not fit; or he is attracted by a showy vest in a haberdasher's window, and when he buys it finds that it owes the chief part of its beauty to the place and manner in which it was shewn off; that the colours are not fast, or the fabric is half cotton instead of being wholly silk or woollen;—and so they remain a dead or useless stock, or can be

resold only at a loss. There is here, therefore, often so much money lost. So also when a person has bought houses or lands, he is never sure of getting back what he paid for them; and often finds difficulty in converting them into cash when wanted—that is without a loss. It is true, money is only rendered effectual or efficient in use, by being parted with or laid out; but being so liable to err in the mode, caution, circumspection becomes necessary or is forced upon us; for till the act of purchase is completed, we have always a reserve of judgment, and feel ourselves secure against mistake in the application. How often we are cheated or cheat ourselves, or how little benefit in this respect we derive from experience, it is unnecessary to say!

Hence it is, that there is always a superfluity of sellers as compared with buyers, or that the keenness or eagerness to be remarked in sellers is never equalled by that of buyers; the latter of whom seem always to stand upon or take up the higher ground. They, as obviously conferring a favour—the patrons—may use a little freedom, while the former as receiving it, the patronized, are always expected to be tolerant, humble, and complaisant. In fact, on the whole, men may be said, even in the gratification of their passions—the chief springs or motives of human action—far more powerful than any which the virtues or moral considerations supply, as all sellers are well aware, and to which in preference they never fail to address themselves—always to buy as little as they can, and never any thing which or more than they can absolutely do without.

SECTION LVI.

THE RISE OR FALL OF PRICES—EFFECT OF, WITH RESPECT
TO TRADE.

The rise or fall of prices, though it does not affect trade as a principle, has a great effect on it as a circumstance, or indirectly.

If all prices rise or all prices fall, this makes no difference to the capitalist engaged in trade. He still finds himself on the same level.

Thus as to the fall of prices—suppose a merchant to have purchased £100 worth of any particular description of commodity or goods, and this commodity or these goods shall fall 20 per cent. in price, or sell for only £80, it is clear that if goods have fallen in value money has risen, and that this £80 will now purchase as much or many goods as £100 did formerly. Hence the remark of a very intelligent merchant, a friend of ours—that he was always safe; “for if he did not get much money for goods, he got much goods for money.”

On the opposite view of the subject, it is clear that the rise of prices places him in the same circumstances or situation. If he gets £120 for goods which cost him only £100, when he returns to the market he has exactly £120 to pay for what formerly cost him only £100—the double illustration thus bringing us back to and shewing the foundation, the wisdom, the propriety of our second principle of trade—buying and selling always at the market-price.

It will be observed, however, that neither of the above instances can ever take place on the true and exact principles of trade, but only in consequence of a certain deviation from them, unavoidable perhaps, or which resolves into a

modification; for this reason, that it is time which produces a difference of price. Now the principles of trade suppose a constant selling with one hand as a buying takes place on the other, so as that a person shall never have any stock on hand on which time can operate or produce an effect. But it is evident this can never be exactly or literally done even by a grocer, much less by a clothier. The effect of a rise or fall of price here applies however chiefly to the manufacturer, with whom, in many cases, a considerable time must necessarily elapse between the period of the purchase of his raw material and that at which he is able to bring it to market worked up and finished; and in some instances, such as that of woollen cloth, the raw material constitutes the chief part of the value; while all must be affected to the extent of their stock on hand when they come out of business, according to the difference of price at that period as compared with what it was when they went in.

With regard to the profit of the shopkeeper, or the value of the labour laid out on a raw material by a manufacturer, if in either case a person can replace his stock at a price by as much less as the amount of that profit or the value of such labour, he is secure and safe whatever other difference may exist between the price of the commodity when purchased and when sold. For instance, shall he purchase £100 worth of goods, if he sell them for £85 and replace his stock or raw material at £80, or sell them for only £80 and replace his stock or raw material at £75, in either case he comes out of the transaction with a clear gain, profit, or return on capital or stock of 5 per cent.; and he can never be placed in any better situation by an advance of price, because if in that case he has much to receive, he has, as already said, as much to pay when he returns to the market. It will thus be seen that the profit on stock has nothing to do with, and is altogether distinct from the rise or fall of price. At the same time, although the statements contained in the preceding part of this Section have been made in round

numbers for the sake of distinctness, it is apparent that something intermediate between the buying and selling price, of the nature we have described, in the shape or form of profit, must be understood between merchant and customer, more than sufficient to replace stock; otherwise a person neither gains nor loses—that is more than his labour, which in this case would certainly be lost.

The fall of prices, however, acts as a great discouragement to trade; because although the capitalist does not in effect, at least considered as a merchant, lose by it, he seems to do so, and the non-capitalist is ruined. Thus, supposing a person without capital to have purchased £100 worth of goods, and to have given his bill for that amount, if he is obliged to sell them for £80, or can sell them for no more, he is minus £20, and so cannot meet the demands on him, and is obliged to stop. One instance is here taken for several, *uno pro multis*; but the progress is simple and easy. As is commonly the case, the first bills of a person in such circumstances will be paid by selling below prime cost, and so may the second; but it is obvious that such an expedient must soon tell, and bring matters to a crisis.

This is indeed a fatality to which the non-capitalist is always exposed, and his situation as in the instance above described, very much resembles a time bargain between gamblers in the stocks; with this distinction that he wants the funds necessary to pay his differences when the day of settlement arrives if the same shall be against him.

The worst thing, therefore, about the decline of prices is, that, from the system of credit practised, nay it may be said established in trade, and the capital consequently put to hazard, it is not so safe to do business as when they are rising; and when the country gets into what may be called an unsafe state, as it will occasionally do, it is clear that a person ought to restrict rather than extend his transactions, and it is worthy of consideration whether it might not be more advantageous for him, if possessed of capital, to withdraw for a sea-

son, if not altogether ; the same effect being here produced, the same conduct or measures suggested, by the prospect of a loss as it will afterwards be shewn may arise from that of securing of a gain. At a public meeting held at Manchester, 26th December 1839, Mr John Brooks, Boroughreeve, and an eminent merchant of that place, declared that his bad debts among the merchants of this country in 1837, exclusive of £9,593, 9s. due him by country drapers, &c., amounted to between £80,000 and £90,000, and that on twelve articles alone imported, a list of which he read to the meeting, amounting to £114,196, his loss was £42,759, or on an average of the whole $37\frac{1}{2}$ per cent. He concluded by saying—"How many had it," (the crisis,) "absolutely ruined : how many reduced to a point at which they could scarcely exist ; and how many had it frightened wholly out of the market ; for there were few who had the spirit even if they had the money to start again after such a shock." At the same time, he corroborated what has been laid down in this treatise by stating, " That he got more money after a panic than at any other time."

There is also another reason why the fall of prices is injurious to trade, or if it be considered effect rather than cause merely symptomatic or indicative, that marks a declining trade ; which see Branch I, first part of § 17 of Speculation, as seeming to fall more properly to be discussed under that head.

SECTION LVII.

THE BEST TIME TO GO INTO BUSINESS.

After what has been said in the foregoing pages, it will not perhaps appear very paradoxical to state—that the best

time to go into business is when things are at the worst, or when business, or at least the particular business proposed to be entered into, is in the dullest and most depressed state ; because then we buy cheapest, or least capital is required, or capital goes farthest—that is it is the most advantageous time for acquiring or laying in stock.

This is a matter of great importance in all businesses acquired, and in all countries ; but more particularly so in some countries, for instance Australia, where stock and produce vary so much ; wheat is at one time £10 per quarter, at another £2, black cattle £8 per head, at another £2, and sheep £3, at another 10s. It is clear that the emigrant here when he goes out if he finds things high, would do well to bank his money for a year or two till that revulsion which is sure to take place arrives, and which has not been time spent in vain ; but which enables him to start with a certain advantage and sure gain, already in effect acquired.

SECTION LVIII.

THE BEST TIME TO COME OUT OF BUSINESS.

The best time to come out of business, it follows from what has been laid down in the preceding Section, is when things are at the best, or the business in which we are engaged is in the most flourishing condition ; because then we sell dearest or realize the greatest sum of money.

If therefore a person come out of business at a wrong time, although he may have had a retail or ordinary profit for many years, it is possible he may gain little or nothing or even be a loser ; as, on the contrary, although he may have had little or no retail profit, by coming out at the proper period he may still be a great gainer. This is a thing

particularly well understood by farmers as to the selling off the stock of a farm at the end of the lease, on the state of prices at which period much depends.

The like may be said of going into business. An error in the one case must be attended with the same consequences as an error in the other ; or the propriety or discretion with which the time is chosen, affect the future gain derived from it in the manner we have mentioned.

It is obvious also, that if a person go into business at the proper period and come out at the wrong, or *vice versa*, advantages and disadvantages are in this respect balanced, and nothing is gained or lost ; that is, supposing the consequences of error and sagacity, or, what oftener takes place in such cases, good and bad luck, equal in degree.

If he go in at the wrong period and come out at the wrong, the matter must be still worse, as being directly contrary to what is desirable or ought to be the aim, or the converse will turn out or prove to him.

A disadvantage also which belongs to going into business on the principle here laid down, is not to be overlooked ; that is, if a person go in when things are in their lowest, dullest state, if this continue long, having no business and consequently no profit, no revenue or income, he may waste his capital or means waiting for a change. The turn of that change therefore or just before it, is the nick of time if he can hit it, that is for the combining of the laying in of stock with the commencement of selling ; and so far there is a modification of or condition annexed to a rule absolutely laid down.

How to know when things are at the worst, when at the best, will be afterwards discussed.

But an error of exactly the opposite nature to that last mentioned, but having the same consequences, may in the mean time be here pointed out, in order to its being guarded against, although unconnected with our present subject so far as regards a rise or fall in the value of stock—that

is that a person perhaps not aware of or alive to the fact, does not retire from trade or turn his stock into money when his business has really and truly to all intents left him ; thereby incurring the expense of an establishment to no purpose, the loss of interest which might have accrued on the produce of his stock, with that arising from the deterioration of the goods, which, if of a fashionable nature, must be great.

But altogether, the subject of this and the preceding Section is but incidentally connected with trade, merely touches it at the two extremes, and strictly belongs to another department, as we shall now proceed to shew.

PART II.

SPECULATION.

BRANCH I.

SECTION I.

SPECULATION—THE NATURE OF, AS DISTINGUISHED FROM TRADE.

We have now done with trade, and come to *Speculation*.

Speculation is to trade what the orbit of a comet is to that of a planet, different, it may be more eccentric, still perfectly regular—not less fixed and uniform ; which may be traced in all its parts, and affords data of equal certainty for distinct and accurate conclusion. The one, therefore, as well as the other, may be reduced to a science, having its exact rules.

Trade consists in supplying the daily, the hourly wants of man, and therefore has no connection with the rise and fall of prices as a general principle ; a tradesman, as already said, being understood always to add his profit to prime cost, as commodities rise he raising his price, as they fall lowering it ;—that is, he keeps always a certain distance from or above price, whatever that price may be.

The changes or variations of price are occasioned by or occur in the course of *time*. Now trade has nothing to do with this. It is *the present* solely which concerns it. The

profits of trade arise daily and hourly, and in small sums, the number or frequent repetition of which compensates their smallness. The gains of speculation, on the other hand, are obtained at long intervals, the greatness of which makes up for their unfrequency. And this arises from the nature of things. The changes which time introduces, although great are slow, and must be waited for. It is *the future* here, therefore, that we have chiefly to look to.

Again, the advantage sought from trade and that sought from speculation, are altogether of a different nature. The first, which is called profit, is a value added to capital which is independent of price; the second is founded on the variation in the value of capital or in *price* itself, with little regard to what commonly makes up the elements of profit. The former is the reward of labour; the latter the consequence of skill and sagacity combined with patience. But we have to remark, that when a person buys low he does not buy cheap, when he sells high he does not sell dear—only a change has taken place in the course of time in the value of the commodity. Hence, indeed, the difficulty of allowing the existence of cheap or dear, which is a thing dependent exactly on *time*, or the state of a commodity at one period as compared with its state at another.

Another distinction between trade and speculation is, that, while the tradesman or trader is careful to preserve his customers or those with whom he usually deals, the speculator is perfectly indifferent, or has no cares on this head, as although he must sell to some one, he never has any particular person in view, and when the proper time comes, from the nature of the case, can never feel at a loss in this respect. Moreover, he is always, in produce at least, a wholesale dealer, selling to or supplying the manufacturer or retailer.

Speculation seems to be of three different kinds. First, in natural productions or commodities, the supply of which cannot be artificially increased on the occasion of present de-

mand, or exactly when wanted—as affording the most certain data or grounds to go upon; for a person cannot speculate, that is advantageously, in a manufactured article, cotton goods for instance, almost any quantity of which can be wrought up at a short notice, in conformity with the demand. Or should we admit that the value of manufactured goods is affected by an alteration in the value of the raw material, some, particularly woollen goods, very considerably, and that consequently a person may gain or lose by having a stock of such on hand—if a speculation be adopted in these, which, as already said, we do not recommend, the essence of it would still lie in the raw material, without seeming to do so, and would be properly carried into effect only in the coarser or plainer sorts, standing clear of fashion and the expense of manufacture as much as possible.

Some of the minor principles included in this class belong or apply to speculation generally. It is also to be observed that the principle here noticed, as referable to grain at least, we have assumed as dividing into two parts, viz.—first, speculation for or on years; and secondly, speculation for or on a year—how far correctly, to be afterwards ascertained.

The second species of speculation is more various in character, unfrequent in occurrence, and subject, in the first instance at least, to laws less strict and determinate. It consists in the purchase of the stock of a company in the prospect of its rise, or of land generally, or particularly, *i. e.* in the midst or neighbourhood of a large city, in the view of its value being increased by a rising population; but as partaking of the same general nature with that first mentioned, evidently comes under our Branch I. It forms the subject of Class II. of this Branch.

The third species is that which arises out of the value of money in relation to property, or of property in relation to money; and forms the subject of Branch II, as obviously distinguished from the other two by its more general character.

CLASS I.

SECTION I.

SPECULATION—REQUISITES TO.

The first requisite to speculation is *time*, that a person shall have time on his side; because, according to the distinction between speculation and trade already pointed out, without this no plan, however well laid, can be brought to maturity.

Secondly, *capital* is necessary. We have known cases of speculation where capital has been doubled, nay trebled. Still all depended upon the possession of this capital, which is what enables a person to wait; for however well he buys, if he is obliged to sell at a particular time, the chances of gain or loss become equal, which we hope to be able to shew, notwithstanding the extraordinary assumption of Dr Adam Smith in the passage quoted in our Preface, is not the case in speculation properly conducted.

Thirdly, a certain portion of *courage* or firmness is required, not to look real but imaginary dangers in the face, something similar to those by which knights-errand formerly were tried—when they were required to pass through what seemed a fiery furnace, which however turned out to be merely the representation on paper—that is, we must have resolution sufficient to reject or disbelieve the apparent, and put faith in that which is not seen; as will afterwards more fully appear.

The fourth requisite is *patience*. Above all things in speculation must we arm ourselves with this negative quality,

so different from the constant activity required in trade, yet here a virtue ; must we learn a point in business sufficiently simple, but of the importance of which many seem not aware—that is, that nothing is to be done when nothing is to be gained, a maxim which, from the obvious cause of the necessity of keeping customers, cannot always be followed in trade. Watchful ever, must we here “ bide our time” the proper time for buying, the proper time for selling ; although no doubt it is equally necessary to strike, to act decisively when that time arrives. That, in fact, *nothing be done when nothing should be done*, is, in the present instance at least, not so easy to a mercantile man as may be imagined ; for a man of business must always be doing whether at a profit or a loss, while the periods between the buying and the selling point or one speculation and another are necessarily long dreary intervals of idleness, which afford no room for the exercise of the faculties or that bustle of importance so tempting to the man of 'Change. He is therefore apt to take a narrow peddling broker's view of things—so different from the qualities required in the more abstracted, if not higher, calling here had in view.

Lastly, some knowledge of the value, the nature and quality of the commodity in which we propose to deal or adventure will not be deemed superfluous ; it being apparent, that theory and practice must go hand in hand, or that the best laid schemes are nothing if not properly carried into effect ;—rendered not less necessary indeed by the amount of dishonesty which unfortunately attaches to human nature ; one man constantly counteracting or undoing what another is doing ; so many fair or rational projects being dashed or rendered impracticable, by the impossibility of trusting mankind, or the certainty of being cheated if we do.

SECTION II.

SPECULATION IN THINGS THE PRODUCE OF THE SEASONS—
FOR OR ON YEARS.

Such is the nature of the data afforded by things the produce of the seasons for speculation, that in these properly calculated, the event is scarcely to be admitted as doubtful, that is in a particular or individual case, but on the contrary, with the requisites mentioned in the preceding Section, (which must always be understood,) the gain is to be taken for granted; being more or less, however, always in proportion to the capital employed, as opportunity affords, or according to the nature of the article, that is varying with circumstances, but to an extent certain; and having this advantage at least over trade, that we are here at liberty to choose the time and season of action, while trade too often is an experiment, and once begun generally speaking must be continued at all hazards. If, therefore, any loss in any case of this nature shall arise, we conceive it will be found, whatever appearances may indicate, to proceed from the maxims laid down in these pages not having been duly followed forth.

To the chief or major part of the principle above referred to, viz. speculation calculated for or on years, we at present confine ourselves.

On this principle, or division of principle, the mode is to look out for a commodity such as we have described, that is a natural production or raw material, (dependent on the produce of the seasons,) which is redundant in quantity or low in price, the lower of course the better. Of this commodity we are to make a purchase. But it may be necessary in the first place to advert to the rule by which the due or proper price in speculation is ascertained, and which brings us to the subject of the following Section.

SECTION III.

AVERAGE—THE RULE BY WHICH LOW OR HIGH PRICE IS
PROPERLY TO BE ASCERTAINED.

It is to be observed, that, as a rise or fall of prices may be fallacious or confined to a particular period, that is partial or temporary—they may rise momentarily to fall more permanently, or *vice versa*—an *average* of prices for years or during a long period is the proper rule here, or the only one which can be relied upon. This rule of average fixes a central point, what is termed by the French the line of demarcation, a meridian from which we are to take our departure, to calculate either low or high price—how far price is entitled to the appellation of either as proceeding downwards or upwards, to form a guide whether in buying or in selling.

There are no doubt such things as extremes, (the terminations of which average does not shew,) and extremes are in speculation the best—valuable and not to be overlooked when we fall in with them—but they never have been and never will be the ordinary rule to act upon here—for this reason, that extremes happen only in extreme cases—are rare and unfrequent.

The necessity of a certain extremity of price, distance from the centre, is indeed granted ; but if we were to wait for the last, low or high, (and that we can never exactly know at the time wanted,) we would act seldom, or it may be not at all. Therefore has been and will average always be the general and common rule of operation here, whether ascertained by the gross mode of recollection and conjecture or the more exact of records and figures, and for particulars regarding which we refer to Sections 7 and 8, to follow. It may even happen that a person may be justifiable and make a gain by

buying for speculation above average in particular circumstances, and when he sees causes which assure him of an advance ; for average, it will be remembered always, is still but average, and as such does not shew final facts, how high a commodity may rise or how low it may fall. This subject, we have endeavoured to render a little more stringent or precise in the succeeding Sections 14 and 15.

The longer the period or the greater the number of years this average embraces, or on which it is founded, of course the greater is the chance of correctness. But, in addition, it is always necessary to take into account, and make allowance for the effects of *a new era* ; that is, the commencement of a perpetual and continued decline in the value of property and increase in the value of money, or the opposite, founded upon general causes or principles. It is clear that the amount of such general diminution or increase in the value of property or money, must be made allowance for during the period for which the average is struck, before that average can be correct ; and that not to do so would be so far to mistake one thing for another—an alteration in money it may be for an alteration in things. This being done, although the probable future nature and amount of such progress, (that is the general tendency towards a fall or rise,) can never be left entirely out of consideration, it is to be understood as a separate thing from our present subject, and which has no direct connection with it, but forms, as already said, the foundation of a species of speculation by itself, the subject of Branch II. ;—the object at present in view being not to ascertain the amount of such progress, but the greater or less supply of a particular commodity at a particular period with reference to the demand.

We shall suppose, then, the desired price in the first instance, as ascertained to have taken place in a particular commodity—arising out of the proper and natural circumstance ; that is, that such commodity has fallen below the average price ; as already said, the lower of course the bet-

ter, or at least that it has fallen low, this being sufficient to justify moderate expectations.

Thus let us suppose that this commodity is grain, that there has been a great crop, and that the price generally or of any particular species has fallen below the average, or, in other words, it has become cheap.

Agriculture is indeed the chief business of every civilized community, in so far as food, subsistence, is the first and great want of man; more capital is employed in this business than in any other; the demand is constant, and it may be said nearly uniform; but the supply is in a measure or to an extent uncertain;—consequently, the variation in price, and the great opportunity it affords for speculation. The produce of agriculture has another quality which particularly fits it for the purpose of speculation, viz. that it will keep for a time without at least great deterioration. Hence grain has been, and ever will be, a great, it may be said a chief, subject of speculation; one, in short, in which more capital is embarked than in any other.

We shall say then, for the sake of round numbers, that a person buys £1000 worth of grain, or of a particular species of grain. This, we shall suppose, on a general view of the subject, leaving certain modifications to be afterwards pointed out and settled, he is to keep till next crop, to see whether it shall turn out a bad or a good one—as on the difference of price between the two, the stock on hand and the new crop, on our present rule or view of the subject, depends all advantage. If the new crop turns out a bad one, grain being now scarce and dear, he realizes a great gain. But for the sake of illustrating a subordinate and intermediate principle, we shall suppose that, instead of the crop of grain being bad, it unexpectedly turns out to be a still better crop than that of the previous year; and this principle, although subordinate, being an important point in our theory, as well as for the sake of distinctness, falls properly to be discussed by itself.

SECTION IV.

OF CHANGING STOCK.

Matters being understood to stand as stated in the preceding Section ;—that is, a purchase of grain having been made at a low price with the view of speculation, but instead of grain being scarcer and dearer the next year than it was the preceding, or this year than it was the former, it turns out that, in consequence of a still better crop, it is now more abundant and cheaper. A person is yet notwithstanding to sell—in order that he may replace with a fresh stock ; and by this, let it be observed, he, on a general view of the subject, loses nothing ; for on the maxim already laid down, (Sect. 56. of Trade,) the money at which he sells his stock should exactly replace with a fresh one—unless we suppose a difference of quality between the new and old, in consequence of the deterioration the latter may have undergone, from which a certain loss, inconsiderable in amount, may indeed in some instances be sustained.

This rule of changing an old stock for a new, is one most unaccountably neglected by grain merchants, who often keep grain or meal till it rot or is destroyed by vermin, when they might sell and replace with a fresh stock ; most absurdly conceiving that they must hold on the old to keep up the same value.

If the depreciation continue, it might perhaps be well in some cases for a person to become dealer in the article till a bad crop or under-production takes place. In this way, it will be observed that he is always to have the same stock or quantity on hand, which he may have, if not entirely, for nearly the same money ; and when a bad crop or under-production does take place, his speculation being now ripe,

he is immediately to sell out and cut with the business. In some businesses, it may be necessary, when a person sells for the purpose of changing stock, to go to the market to buy again immediately, in order to avoid any difference in the price of the article between the time at which he sells and the time at which he replaces his stock, that is, that the two operations shall be simultaneous; but this seems scarcely to apply to grain-dealing, as will afterwards be seen.

Such must always be understood to be the general theory of speculation, however subdivided or liable to the modification of inferior principles or rules. And here we are reminded of an anecdote of Dr Messinger Monsey, many years physician to Chelsea College, which, however trivial or well known, may serve the purpose of illustration, and must be admitted to bear upon our present subject, or to be in point. In truth, our doctrine in this case appears to have been brought to the test, at least in the article mentioned, and must therefore so far be allowed the benefit of the proof of actual experiment; at the same time remarking, nevertheless, that although hops are to a certain extent well fitted for speculation, and a great speculation is constantly carried on in them, we do not, for reasons to be afterwards given, consider them the very fittest or the best article to speculate in.—“He,” we are told, “used to say, that the first of his ancestors of any note was a baker and dealer in hops—who, on one occasion, to procure a present sum of money, robbed the feather-beds of their contents, and supplied the deficiency with unsaleable hops. In a few years a severe blight universally prevailed, hops became very scarce, and enormously dear; the hoarded treasure was ripped out, and a good sum procured for hops which in a plentiful season would not have been saleable. And thus,” the Doctor used to add, “our family *hopped* from obscurity.” Indeed, more than one thing is here proved. Besides the correctness of our doctrine on the subject of speculation, and that it may in some measure be advantageously united with trade—a

principle of trade already laid down is verified, viz. that any thing will suit the market when prices are high, as, on the contrary, when things become cheap they also become good or improve in quality;—the converse of propositions, as is well known, always holding true or proving each other.

The speculation in grain being now matured and finished as above stated, and no farther advantage in it for the time being practicable or to be attained—a person is now to look out for some other article in which there has been a great produce or depreciation, or which has fallen below the average price—in which he is to make a new investment, and play the same game. This article, we shall suppose, is Greenland whale-oil, there having been a great or successful fishing. He is now therefore to become a purchaser and holder of Greenland whale-oil, till there comes a bad fishing; when he is to sell out and cut. For this article, indeed, there are several substitutes—tallow, for instance, palm-oil, &c. But it will be observed, if they have a tendency to lower the price of whale-oil, the high price of whale-oil has now a tendency to raise the price of them; and the annual supply of Greenland whale-oil being generally large, and therefore much depended on, any great blank in it must be and always is attended with a considerable advance of price. In fact, on turning to the Price Current, Greenland whale-oil will be found to vary more in price and oftener than most things, and therefore for these and other reasons, if we mistake not, is one of the very fittest for the purpose of speculation.

A still better article, however, to speculate in than either of those last above mentioned, and for which there is no substitute, may, perhaps be cotton, if a person be resident at Liverpool, where there is so great an importation and demand, so much business in the article done. Or perhaps still better if at Savannah, or if he has a partner or correspondent there.

White, in his Natural History of Selborne, indeed, says—
“ No other growth cultivated by man, has such frequent and

general failures as hops ;"—which would seem in an especial manner to fit them for the purposes of the speculator, by the extremes thus presented to him ; which are his game, his proper element or field of action ; for although a merchant prefers prices remaining what is called steady, that is, at nearly the same rate, a speculator does not—finding his account in a different state of things. Yet, on the other hand, hops are liable to very considerable deterioration from keep ; which is so far a drawback upon or counterpoise to their great variation in price, arising from the uncertainty of the crop, and but for which deterioration there would be little difficulty, on the rules above laid down, in a person making his fortune by means of them. Nevertheless, as already said, a great speculation in them is constantly carried on. But of this more in a succeeding Section.

SECTION V.

OF STORING.

The chief objection to all that has been previously said on this subject, will be the loss sustained by *storing* ;—in the interest of the capital invested—from waste, and the deterioration of the article, more particularly on such as is of a perishable nature.

Now, in the first place, an article which will not keep till the next crop or season come round, such as herrings, which it is desirable to get quit of the first season, and which are very much reduced in value indeed, besides having to be repacked at a very considerable expense, if kept till another season—is not a safe article to speculate in ; although, even in such, if bought very low, a speculation may be worth the hazard,

and a gain made on it in the manner after described. But here we sacrifice that certainty which an article which will keep till next crop or season come round seems to afford; or at all events, act upon an inferior and narrower principle.

Secondly, the loss by storing is at once granted, and must be submitted to as forming a drawback upon, or deduction from the final gain; and if any article cannot reasonably be calculated on to afford such loss, it, as a speculation, properly must be let alone. On wheat, the charge for one season may be $\frac{1}{2}$ per cent. on loss in quantity—3 per cent. for interest of price—2 per cent. for warehouse rent—1 per cent. for turning and cartage, and $\frac{1}{2}$ per cent. for other labour when delivered on being sold—in whole 7 per cent., or when wheat is at 50s. per quarter, 3s. 6d. per quarter. We have here stated interest on the price at only 3 per cent., (holding the interest of money per annum to be 4 per cent.), because if a minor and peculiar principle of ours applicable to grain as well as most other crops, laid down in the following Section, be correct, it need never be kept longer than nine months at a time or consecutively, viz. from say the middle of November to the middle of August following, in which last month it is, each year during the whole time the stock is kept up, to be sold, and not replaced till the November, December, or January succeeding, according to the nature of the season, and the state of prices—when this may be expected to be done cheaper. If, in consequence of the appearance of a bad crop, it is kept on later, for it may be a final sale or finish of speculation, this of course will add something to the interest on price, but in that case, it will be able to afford the additional charge. In fact, however, it seems scarcely correct to include interest as a charge here at all, which must always be held to form a component part of revenue, and therefore if deducted from the gross gain, must fall to be re-added.

We have here stated no charge for deterioration of qua-

lity on wheat, because it in reality suffers none for one season if properly kept, which is always to be understood it is to be. The same rate of charge applies to oats, which whatever they decrease in the measure, gain nearly as much in weight, and consequently in value; but for barley will require to be added an additional $\frac{1}{2}$ per cent. for deterioration in quality. It will be observed also, that no farther charge falls to be made for annual change of stock, unless it be cartage, the allowance for deterioration in quality and diminution in quantity, standing instead of or exactly compensating any difference in value between old and new stock whenever such occurs—if in reality a profit be not made by the exchange in the manner above, and to be afterwards more fully explained. It is obvious, that different opinions will be entertained by different persons of the above rates, and that they must also in some measure vary with locality; but the items having been pointed out, their amount can be raised or lowered by individuals, according to the estimates they may form, or to suit circumstances.

The charge on the keep of Greenland whale-oil may be stated at 4 per cent. on purchase price for deterioration of quality and leakage—as much more for the interest of the money invested, including the price of casks—exclusive of cellar rent for one year; but it is to be remembered with respect to this commodity as well as others, that when it becomes scarce and dear, buyers are not very particular about quality, and that in that case there is little loss by or allowance to be made for deterioration. But we have given a more particular statement on this subject elsewhere.

Hops by some are said to lose from 10 to 15 per cent. by deterioration of quality or escape of the aroma if kept for one year; others state the loss at from 15 to 20 per cent.; and Mr Roberts, in his Treatise on Ale-brewing, carries it as high as from 25 to 30 per cent. On the other hand, old hops are useful for some purposes or to mix with new.

On whale-bone, the charge will be reduced almost entirely to

the interest of the money invested, it suffering no deterioration in quality or quantity by keep for years, and therefore putting to no charge for change of stock, as well as very little for warehouse rent, as requiring very little room.

The same may be said of cotton, except as to warehousing, it being a more bulky commodity.

Such will serve as a specimen of the expense of storing on a few commodities. On other articles, the dealer will calculate for himself. So far, however, as deterioration of quality is concerned, the rule of parting with the old crop or produce when the new comes in, must to a certain extent or in a great measure prevent this; that is, prevent it from being progressive in the identical same stock till it prove ruinous. And it will be observed, on this rule, no article requires to be kept longer than for one year at the utmost.

Thirdly, by becoming dealer in the article, as already mentioned, which when the depreciation has continued for any length of time is at least desirable, all the objections here started or expense stated may be got rid or disposed of. This, however, can be accomplished only under certain sacrifices—or such circumstances as enable to fulfil certain conditions, more particularly pointed out and discussed in a succeeding Section, (9). But in the mean time we are led to the second part into which the present principle divides.

SECTION VI.

SPECULATION IN THINGS THE PRODUCE OF THE SEASONS— FOR A YEAR, OR WITHIN THE YEAR.

In discussing the first or major part of this principle, viz. speculation calculated for a series of years, it will be observed we have laid down the maxim—that a person is not

to buy every year, but only when there has been an abundant produce, or when a particular commodity is at least cheap; high and low price being that which concerns the speculator, (mediocrity being here, as in poetry, rejected,)—to be ascertained in the first instance or to an extent probably by average, but with such latter principle after having served such purpose he has nothing more to do.

No such maxim, however, would seem to apply here. Strictly, in speculating on a scarcity within the year, a person it would appear is to buy every year, whether the crop be abundant or the reverse, grain dear or cheap—on the simple principle that the stock will be pretty well exhausted before the new crop comes in.

Thus, grain-dealing may be conceived to be carried on in three different ways—first, as a regular *trade*, by supplying the miller or the distiller *die in diem*, in which price, (further than the market,) would seem altogether to be disregarded; secondly, as a speculation on the division of principle laid down in this Section, that is on the difference of price which takes place in the *same season*—buying early, (that is in November, December, or January,) and selling immediately before the new crop comes to market, (that is in August); and, thirdly, as a speculation on the difference between *one season* or crop and *another*; when the stock is changed and carried over to another season, one or more.

Speculation in foreign grain differs in no respect from speculation in home, except, (that is supposing it in bond,) that there can here be no change of stock without a re-exportation, that is if it be not advisable to bring it to market;—it proceeding on the difference of seasons, by which the duty is affected, raised or lowered, according as they are good or bad. As the stock here is generally obtained at a very low price, (a circumstance only which can justify having any thing to do with such a transaction,) and can be admitted to sale in ordinary seasons only at a very high duty—it seems an

extreme case, that is one by which much may be gained or lost according to the event or circumstances.

The most obvious objection to buying every season or crop whatever the price may be, on the idea that the crop will be cheap in the early part of the season, dear in the latter, is that the effect of the new crop may reasonably be expected to be *anticipated*, according to the nature of that crop. If it has the appearance of being good, dealers, it may be supposed, will naturally be anxious to get quit of what they have on hand; when out comes the stock of the speculator, the hoard of the wealthy farmer, occasioning a fall of price. If, however, the appearance of the crop be bad, it is evident this cause must operate the less; and that there is one season for buying and another for selling, as we shall presently prove, goes to an extent to establish or confirm the general doctrine or principle of this Section. Yet in truth it cannot be considered absolute, as we find the highest price, as will afterwards appear, sometimes in November, December, or January, those months in which the crop may be thought first to come to market. At the same time, if we may judge from 1837, the effect of anticipation is not so great in grain, at least as might be imagined—the very fine appearance of the crop in that season having scarcely lowered prices perceptibly, (which were then rather high,) in the August of that year. Still however, independently of anticipation, the conclusion from the highest price falling occasionally in the months we have mentioned, seems to be that the principle of this Section, although a general one, is not implicitly to be relied on, or cannot be exactly followed out without reference to the other or more extended; that is, the consideration of average on years is not entirely to be dispensed with, but in the one case as well as in the other we can prudently buy only when the commodity has arrived at a certain degree of cheapness, or, at least, has not reached a very high price;—as will afterwards more fully appear.

That the price of grain should at any one place be higher

at the beginning of the season, that is when the crop comes in, than at the middle or the end, seems accountable for only on the supposition of a particular scarcity at that place, when time is required to make a transport from another where it is more abundant ; a principle which has more importance than may at first seem, and which the law has now aggravated into a system.

The mode of proceeding or rule of acting by anticipation, is indeed more observable in speculations in another commodity than in grain, viz. hops, which are very often finished within the year—but by an anticipation of the new crop, founded on the appearance of the bind, or the calculation of the duty, the latter a mode of ascertaining the amount of produce or quantity likely to be brought to market. This, it is obvious, proceeds on or arises from the great depreciation the article sustains by keep, with the view of escaping such depreciation, the old being here so unable to compete with the new ; and if there be any one commodity more than another to which such a rule is applicable, or in dealing in which such a mode becomes necessary, that commodity is hops.

That, indeed, the dealing may seem to proceed on the principle, or rather division of principle, contained in this Section when it really does not, may certainly happen ; and in truth it and the more extended are often so mixed up together that it is very difficult to draw a line between them, or to distinguish the one mode from the other. Thus a person buys a quantity of hops in the early part of the season, and actually sells before the new crop comes in, and so far would seem to conduct his speculation on the rule contained in this Section. But so far as, in making this sale, he is influenced by *the appearance or anticipation of the new crop*, would seem to bring the transaction within the broader and more extended rule of speculation on years or seasons.

It must indeed be of great importance to men in all circumstances, or in every situation, to have distinct ideas of

their business, of what they are about, of the principles on which they really act ; and to none we should conceive more than the hop speculator.

It appears to us therefore—first—that speculators in hops, so far as they are induced to buy when there has been a great crop or hops are cheap, and would not otherwise have bought, strictly do not act upon the division of principle contained in this Section ;—secondly—so far as they go upon the appearance of the bind, diseases, or the calculation of the duty in selling, they act on the major or broader division of principle—only that they are induced to anticipate the produce of the new crop and sell off within the year from the perishable nature of the commodity, thereby saving so much of keep ; although in doing this they often deceive themselves, and would have done better to wait for the new crop ;—thirdly—that if they do keep on till the new crop come in, they clearly act on the same division ; and that, lastly, they oftener act on this division than on the minor or narrower. Yet undoubtedly they often do act on this last ; in which case very little difference is to be perceived between their conduct and trade, although such a distinction may still be drawn.

We would farther observe, that if the stock is kept on till the ensuing crop, it should clearly then be sold off whatever the price may be ; if high to realize the gain in our power, if low on account of the still greater ratio of depreciation it would sustain, and the consequent loss which would be incurred by keep for another year or for years. And if a purchase of the new crop is made, this is to be considered either as a mere change of stock, whatever the depreciation of the old stock or the loss thereby occasioned, or a new speculation regulated by the quantity or price, but perhaps really and truly the former. It may be added, that if a person has bought this year because an article is cheap, if it shall be still cheaper next year this would seem to form a good reason for renewing the investment.

SECTION VII.

FACTS AS APPLICABLE TO THE PRECEDING SECTION.

In this Section there may seem an inversion or slight deviation from strict arrangement in accordance with what has gone before, in so far as we introduce the illustrations or details of speculation on a year before those on years; but this has not been done without due consideration, and will in fact be found to be consistent with or to contribute to the *lucidus ordo*—in as far as the former really are the foundation or data of the latter, the root from which the whole springs, and without which arrangement what follows in the succeeding Section could not be understood, except by awkward anticipations and references to what was to follow, and in truth a greater breach of arrangement than is now committed.

We would say then—the validity or correctness of every theory is ultimately to be judged of and decided by the test of facts. So far as it is supported and borne out by these, it is of value; so far as they fail it, it is not. By this criterion alone, in short, must it stand or fall.

There are two qualities which principally fit any commodity for speculation—first frequency in the change of its price—and secondly, the extent of that change; it being obvious that alternation, a fall as well as a rise, is necessary to the purpose of the speculator, and the extreme of prices that which he will chiefly look to or in which he will seek his gain. In grain we find both of these qualities conspicuous; which must always fit it for, and independently of the important place it holds in the business of the country arising from the magnitude of the concern, its relation to the purposes of society and the economy of life, render it a favourite

subject of speculation ; and indeed it is the commodity chiefly contemplated under the head of the present principle. We select wheat as the chief or most important species.

From the Synopsis, No. 1 of the Table given in the end, No. 2, it will be seen that the lowest and highest prices of this commodity for the respective months of the twenty-one years therein contained stand in frequency as follows:—

LOWEST.		HIGHEST.	
October,	2	August,	9
November,	6	October,	1
December,	7	November,	1
January.	6	December,	2
		January,	3
		February,	3
		May,	1
		June,	1
	21		21

It appears, therefore, that during the last twenty-one years the price of wheat has been lowest in October twice out of twenty-one times, in November six, in December seven, and in January six ; and if we add the result of the three last months together, it will appear that in them it has been nineteen times out of twenty-one cheapest, shewing a decided preponderance in favour of the three consecutive winter months.

With regard to the highest price, the Synopsis shews a decided preference in favour of August, which affords nearly one-half of the numerical result, (nine times,) yet the preponderance of this autumnal month as the highest is not so decided as that of the three winter months above mentioned as the lowest.

We have to remark, that the year here is not properly to be reckoned according to the calendar from January to January, but from crop to crop, and although it may be considered to begin with November, as the month in which most commonly the crop comes to market, it will not be exactly

the same every season, but must be understood to commence sooner or later according to the earliness or lateness of the crop—throwing low or high price into different months, rendering low price earlier in one season or prolonging high price in another. Thus have we lowest price twice in October, (shewing probably early crops,)—highest once in October and once in November, shewing late crops. That it should ever be highest in December, January, or February, probably arises from the operation of the Corn Bill.

The chief principle which ought or may be expected to operate here, is that the accession or coming in of the new crop should always lower price whether that crop be good or bad, as adding to the stock on hand, and it may be said or will be seen almost invariably to do so; yet if the new crop be bad it will obviously lower it the less, and if two bad crops follow each other the still less will be the fall; if in reality there be not in the latter case a rise. Hence in such circumstances the temptation to hold on. It is also to be remarked, that when there has been a bad crop and stocks are much exhausted towards the end of the season and prices high, speculators will be tempted to hold on up to the very verge of the new crop. In fact, that the anticipation of a new crop has not the effect on prices which might be conceived, we have already given one instance in 1837, prices having kept up so late in that year, probably being occasioned by the deficiency of the preceding crop; but in truth the general fact that the highest price is to be found in August is sufficient to prove at least that anticipation cannot beat down the price in the end of the season to what it was at the beginning.

With regard to the variation of prices within the year, or more correctly between one crop and another, that is the first and last of the same crop, it is very great, and such as to encourage speculation in wheat, affording for twenty of the above twenty-one years 15s. 5½d. per quarter as the difference between the average highest price and the average

lowest for each year, which taking the latter at 50s. $4\frac{1}{4}$ d., (as ascertained by dividing the amount of the whole by 20,) is about $30\frac{1}{2}$ per cent. on such price, or £30 : 13 : $11\frac{3}{4}$ per £100. We have said, however, that the year properly does not run from January to January, but from crop to crop—say from November to November. Therefore, on this rule, the amount of difference between the lowest and highest price falls to be struck according to the calendar, not on the difference falling in the same year, but between each year and the succeeding or next following. For instance, the lowest price in 1820, we find in the December of that year, viz. 53s. 11d., which, deducted from the highest price in 1821, (October,) 70s. 7d., leaves for difference or gain on a supposed speculation 16s. 8d; and this is the plan followed in our Synopsis, and which has the necessary effect of reducing the number of years on which such difference is struck, the last or lowest price of 58s. 10d. for December 1840 being omitted, as having yet none to correspond with it.

Such are the results we draw from the table No. 2; but it is open to inspection, and our readers will form their own conclusions, preferring either of the above views as they judge proper, or taking others altogether different.

We conclude by remarking, that to hit the lowest and highest price each year, a person can hardly expect to do without something more than his own sagacity—luck as well as judgment; although to balance this it would seem he may expect to avoid buying at some of the higher prices composing the above average of 50s. $4\frac{1}{4}$ d.; that is to let a season or year pass without doing any thing; which however proceeds upon another principle, as shewn in the following Section.

SECTION VIII.

FACTS—AS REGARDS SPECULATION FOR OR ON YEARS.

With regard to speculation on the scale of years or on that of a year, we have some doubts which species is to be considered the superior, which the inferior system or mode of operation. The former is undoubtedly the most comprehensive or rests on the broadest basis, while the latter must be considered but narrow and contracted. The question, however, will not be decided on such principle, but rather on that of which is most effective or yields the greater gain or best result; and in this view, if a person can attain his object in one year or season he will go no further or not look to another.

Were indeed low price to fall or be found always in December, and high price in August, or in other words, a person to gain always by a purchase in December and a sale in August, this would be sufficient to establish the principle of speculation on the scale of a year or within the year exclusively; and enable him so far to act blindly or implicitly. But this, though general, is not absolute, and by looking over the table No. 2 of the prices of wheat for the last twenty-one years, it will be seen there are no less than four exceptions to it, viz. from December 1821 to August 1822—December 1825 to August 1826—December 1828 to August 1829—and December 1838 to August 1839. The two last instances, in both of which prices were very high in the beginning of the season and fell towards the end, may, as already said, chiefly be ascribed to and serve to illustrate the working of the Corn Bill, by which a flood of foreign corn is let in in a season of scarcity. Such, however, being the case, the first conclusion which we draw is, that the use and advan-

tage of extending our views to years and average is, that it teaches us how to avoid this loss by not buying when the commodity is above a certain price, that is, as in 1838, (price 73s. to 78s.,) passing a year without buying, for which there is always this additional reason, that in such a case, (a deficient crop,) the quality must be bad.

Again, there are several consecutive years, viz. from December 1832 to 1836, in which years, although the price in the first of these was by no means high, (53s. 3d.,) a person could have made no great gain by a *rise* of prices till 1836, but during which he might have by a *fall*, that is by selling each year in August and buying again cheaper in December, for several years, or in other words keeping up the amount of his stock till the commodity reached a price when he could come out with advantage. In this way, by the end of 1835, with a small intermediate gain sufficient to pay expenses, he would hold his stock at 36s. 6d., which deducted from the price in August following—50s. 8d., leaves for gain 14s. 2d. And thus we draw the second conclusion of the use of extending our views to average and years, giving the necessary data and confidence to hold on at a low price without profit or in a falling market in the reliance of ultimate gain. We shall conclude this point by two instances. Thus the price of wheat in the last week of December 1821 was 49s. 2d., which is below what we have ascertained to be and fixed as the average lowest or buying price, and therefore sufficiently low to induce the most prudent to purchase—nay, upon all proper rules, a person would have committed an error had he not purchased at that price;—yet wheat varied little in price through the next two months, and continued to fall till August, when the highest price during that month was 43s. 3d., and so on till December when it was as low as 38s. 6d. Here, then, if a person had sold in August he would have lost 5s. 11d. But if he bought again in the December following when the price was 38s. 6d., and retained till the next June when he might have sold at 62s. 5d., he gained 23s. 11d.

—from which deduct his former loss, 5s. 11d., and there remains in his favour a gross balance of 18s. on the transaction of two years, or rather a year and a half. Again, had a person bought without knowledge of or attending to average in 1825, in which year the lowest price was certainly high, 63s. 4d., he could not have saved himself or made a gain till 1828—three years afterwards—when the price rose (November) to 76s. 7d.—difference 13s. 3d., shewing a result similar to that of the former instance.

The amount of facts or conclusion here is, that although, as already said, if a person buy every year in December and sell in August there may be a high probability of his making a gain, it does not absolutely follow, or is not without exception; whereas, if he adopt or combine with it speculation on the scale of years, his base of operation becomes wider, his speculation compound, and his success, as he will then commence with a low buying price, and occasionally pass over a high, nearer to certainty. Although therefore he may do well with the one mode, he will do better with the other. Finally, he will come out to greater advantage.

The table No. 2 undoubtedly furnishes the most exact data for speculation in wheat, giving not only price for each month of each year; but also for each week of each month, and therefore shewing the very extreme. Still, if a person is thrown into the predicament of not being able to obtain a sufficiently high or remunerating price during the first season, or is not content with the remuneration the return of the first season affords or offers him, or wishes to take a broad and extended view of the subject, or to act upon a broad or extended scale, we refer him to the tables in the end of Vol. I. of *The Wealth of Nations*, from the year 1202, with some intervals, down to 1597 inclusive, collected by Bishop Fleetwood, and which Dr Adam Smith, as a proof of their correctness, says “agree perfectly” with those collected by M. Duprè de St. Maur, together with the Windsor prices from the accounts kept at Eton College from 1595 to 1764

inclusive; the continuation down to 1791 inclusive being to be found in the *Encyclopædia Britannica*, under the head of the Corn Trade, being altogether for a period of 590 years.

These tables we would have given at the end of this work, together with an analysis of them, had we been sure of its success, or that the public will put that value on it to which we would wish to conceive it entitled, and may still do so if we have the honour of arriving in due time at a second edition; although from the remoteness of the period to which they relate, they may be considered as serving more to gratify curiosity than any useful purpose; yet are they sufficient to shew that wheat fluctuated much in price at all times.

In the early periods of our history, indeed, the fluctuations seem to have been excessive—the price being one year 6s.—another 48s.—£19, 4s.—4s. 4d.—53s. 4d.—2s. 4d.—15s. 4d.—3s. 8d.—10s.—22s.—6s., and so on, shewing a difference of many hundred per cents; arising probably from the unsettled state of the country, which interrupted the labours of the husbandman, or through which he was deprived of the fruits of his labour, as well as the imperfect state of the art of agriculture itself; abundance being followed by famine and dearth by cheapness. The effect of such causes was aggravated also by the want of roads, which prevented the transportation of grain from one place to another, so that it was not uncommon for plenty to prevail in one district while scarcity reigned in another.

When we come to the Windsor or Eton prices, we find the fluctuations not so great, still very considerable; often 100, 90, 70, 60 per cent. of a rise or fall, within two or three years, but most commonly and in fact averaging about 50 per cent.

The table at the end, No. 3, made up from official documents, (See Supplement to London Price Current for the year 1828,) from 1792 to 1826 inclusive, a period of

thirty-five years, as bringing us nearer to the present day, may be considered to possess a greater interest.

This table commences with the price of 42s. 11d. Two years after, we find it at 51s. 8d, being a rise of 8s. 9d. Next year there is a rise of 22s. 6d.—next year a farther rise of 3s. In the following year, (1797,) there is a fall of 24s. 1d., and the year after a farther of 2s. 10d., the price being 50s. 3d. Next year, (1799,) there is a rise of 17s. 3d., and next year, (1800,) a farther rise of 46s. 1d.; that is the price had more than doubled in two years, which may perhaps shew the propriety of carrying our speculation over the intermediate year, when it was only 67s. 6d. Next year there is a farther rise of 4s. 8d.—the price being then 118s. 3d.—a rise of no less than 68s. on 50s. 3d., (the price of 1798,) in three years. Next year we find the price fall no less than 50s. 10d. Next year we have a fall of 10s. 11d., and in the next, the only variation is a rise of 3s. 7d.; when the year following, (1805,) it rises above the price of the preceding year, (60s. 1d.,)—27s. 9d. Next year shews a decline of 8s. 10d.—next, a farther decline of 5s. 9d. Still prices are high and continue high, being next year, (1808,) 79s.—the year following 95s. 7d., when next year, (1810,) they mount up to 106s. 2d., being a rise above the high price of 1807, (73s. 3d.,) of 32s. 11d. Next year they fall to 94s. 6d., being a difference of 11s. 8d.; but next year, (1812,) reach the enormous height of 125s. 5d., being a rise above the high price of the preceding year of no less than 30s. 11d. Next year, the price is still high, although there is a fall of 18s. 11d.—being no less than 106s. 6d.—and even in the succeeding year, with a farther decline of 34s. 5d., being still 72s. 1d.

To be sure these are to be understood as war prices; the effect of the lavish expenditure of the public money during the above period being to be taken into view, with the completely fictitious state of the currency in consequence of the bank restriction act, (1797,) and the obstacle which the war

necessarily interposed in the way of importation, in accounting for such high prices. Fluctuation is, however, altogether a different thing from highness of price, and was perhaps not less at any other period than during the war.

In 1815, the price was 63s. 8d., being a fall of 8s. 5d. below that of the preceding year. In 1816, it rose to 76s. 2d., being 12s. 6d. above that of the preceding year. In 1817, we have a farther rise of 17s. 10d., and in 1818, a fall of 10s. 4d. In 1819—a fall of 11s. 5d., and next year a farther fall of 6s. 5d.

It is unnecessary to pursue the examination of this table farther; as with the next year, (1820,) commences the table No. 2, discussed in the preceding and referred to in the beginning of the present Section, containing more exact information;—as it is always to be remembered that the above prices are but average, and that average is hostile to, decidedly at variance with, and destructive of all extremes.

About this period also may be said to have commenced a new era, the effect of which is not to be overlooked. In 1815 the war ended, and in 1819, Peel's bill obliging the Bank of England to recur to cash payments passed. From henceforth, therefore, from the twofold cause thus occurring we are to look for a decline of prices, and such has indeed been the fact, notwithstanding the precaution of the landlords in providing for their own interest by the passing of a new Corn Bill in 1815. And if the Corn Bill were to be totally repealed and a free trade in corn permitted, another and a greater revolution in prices must be the case, although not altering principles, completely subverting facts and deranging calculations.

Having said so much on the subject of wheat, we shall discuss the tables of the other commodities very briefly.

We have, however, to premise this much. In speculation in wheat, the fact seems to be, that grain-merchants often proceed on the principle of a double speculation, for a year and on years at the same time; thereby if not doubling

their gain, doubling their chance of gain. So far as they sell off in August or about that time fixes them to the first—unless we may suppose them to be influenced by anticipation of the nature of the new crop, the effect of which however we have already said does not seem, in grain at least, to be great; and their not buying any one year, that is passing a year without buying on account of the highness of the price, as ascertained by average, is sufficient to bring them equally within the second. There are, however, other subjects of speculation, be it remarked, besides grain; and as to many of these, no such complex principle seems applicable or mode of proceeding to take place. In Greenland whale-oil, we may indeed observe something of the same kind; but although a product of the season, not so marked as in grain. The price of cotton again seems to depend more upon the demand than the supply; which may probably arise from or be very much influenced by its durable nature, or the slight or entirely non-deterioration it suffers from keep; and the same must be the case with many other commodities.

Moreover, it appears absolutely necessary with regard to many other articles, probably from the reason last mentioned, to hold on for more than one year, often for several, in order to realize the greatest gain;—they, while they dictate this mode of proceeding, affording by their nature at the same time the means of carrying it into effect.

In looking over the table of the prices of Greenland whale-oil, No. 4, there seems to be no remarkable or decided advantage unless a person can buy at or about £20 per tun; and this seems also one of those commodities in which a person must generally hold on for more than one year to do any considerable good. The table, be it observed, is not constructed on the principle of average but of fluctuation, and gives the price for each month of each year.

Now for particulars. If a person had bought at £19 in

January 1822, the then price, he might have sold at £29 in November same year.

If a person had had the sagacity or good fortune to buy in January or March 1824 at £18, 10s., which he might have then done, he could have sold in February, two years after, at £37—exactly double or with a gross gain of 100 per cent.

The next lowest price is January 1828, £23; and in the corresponding month, three years after, we find it at the enormous price of £57 and £58.

The next very low price is November, December, 1833—January 1834—£21, 10s. In the corresponding month two years after, it is £40. Next year it was as high as £47, and some we understand was sold same year at Leith as high as £58 and £60.

We have given a very ample table, No. 5, of the prices of five different species of cotton for twenty years, shewing the extreme price for each year; but from the difference of quality of the same species of cotton, it is impossible to bring out exact results.

We have been unable to obtain any complete returns of the prices of hops for a consecutive number of years back, although a common and important subject of speculation; and the same observation as to difference of quality applies to them as to cotton.

It is common to estimate the probable amount of the hop duty, (as indicating the amount of hops likely to be brought to market,) from the appearance of the crop before the duty is actually struck; and in the same manner, the number of acres of wheat, barley, and oats under crop, with the probable quantity of growing crop per acre. With this may be reckoned returns of the stock of different kinds of grain on hand, in bond, and imported. Like returns of the stocks of cotton, with those of many other things, on hand and imported, are from time to time published in the London Price Current, as well as of the quantities sold, as shewing

the demand—which may indeed be a help to or serve to regulate speculation on a small scale or for a short period, but all which must be understood to be comprehended in and represented by *price* on a large scale, and therefore do not here seem to call for particular notice or specification of amount—such belonging to the statistics rather than the principles of trade or speculation, and concern statesmen more than individuals.

SECTION IX.

TRADE AND SPECULATION—HOW FAR THEY AGREE, HOW FAR INCOMPATIBLE.

In the first place—trade and speculation seem to be, to a certain extent or in a certain manner, unavoidably connected. Thus, although we have described the shopkeeper as raising his prices when prices rise, and lowering them when prices fall, yet it is certain he does not or cannot always exactly do so to the full extent of the change; but occasionally makes an extravagant profit by the rise, or sustains a loss by the fall of prices, according to the stock which he has on hand, which must always be a little more than suits the momentary or immediate demand. And the same must take place with the manufacturer of woollen cloth for instance, who it is obvious requires some time to work up his raw material. Thus far therefore is speculation inseparable from trade.

Secondly—the profits of some businesses are so small, such as those of a miller or baker, that those engaged in them are obliged to study the rise and fall of prices, or to resort to speculation as a compensation; that is, to lay in a stock of wheat or flour when prices are low, and again to consume or

expend this stock when prices are high. And the necessity for their so doing is probably to be found in the fact of others in the same trade resorting to this as a means of enabling them to sell cheap;—the result being, that the commodity remains nearly always at the same price to the customer or consumer whatever be the price of the raw material or stock laid in—and, in fact, when general, in a particular trade or business a reduction of what may be strictly termed or comes within the description of profit in that particular trade or business. Thus we may remark, that while grain varies very much in price, whisky varies very little, and this is effected by the management of the distiller; a management which a tradesman will often avow or make a boast of—most generously, according to his own account, conferring the whole benefit on the public. Yet it certainly is not always necessity which induces traders to adopt this mode of conduct, but perhaps as often the positive desire of or endeavour to obtain an additional gain. So far, therefore, they find it convenient or advantageous to unite speculation with trade.

Thirdly—if a person can manage a stock beyond his ordinary or the demands of his usual customers, for the sole and express purpose of speculation; that is, have a set of customers whom he can take up or lay down at pleasure, or in other words go into and out of the market when he chooses—it is well. And it may be here remarked, that speculation in the business or commodity in which a person is a dealer, is always most natural; because he is in that case best acquainted with the nature of the article, its quality and value, the state of markets as connected with it, and prepared for its necessary reception and keep at the least expense, as well as capable of turning it over or making sales, in which a mere speculator or person who is not also a trader will find difficulty where they are intermediate and not final, that is for the purpose of change of stock, and therefore on the principles of trade, if he is obliged to keep or retain for a time. In this manner, speculation may be conceived to be carried

on *without storing*, at least more than is necessary for trade, (which trade must always pay for,)—a constant buying and selling being attended with the effect of perpetually changing as well as keeping up stock, that is in quantity, (its value, be it always observed, is a different thing,) so as to avoid the chief objection which may be started to what is laid down in Section 5, viz. loss by storing.

That indeed this may be done in any business or regular trade, as we understand trade to be, seems more than doubtful. If at all, it must be only to a certain extent, and when it goes farther, and amounts to the whole stock, then it is directly at variance with trade. Speculation absolute and complete is in fact, in such things as we presently have in view, the finish, the end of trade, that with which it terminates—the last, the greatest advantage of speculation, (where trade is concerned,) being only to be obtained something in the same manner as honey is from bees, by the destruction of the whole swarm—that is by the loss of all the customers, who cannot scarcely ever be again recovered, and whom it is the great object of trade always to keep. This is a necessary consequence of avoiding a reinvestment in the same commodity after selling at a high price, and a sacrifice which those who enter into trade for the sake or purpose of speculation, will of course always be prepared to make. If they repeat the same game it must therefore be in another article, and with another set of customers. Or if in the same article, after a considerable lapse of time.

With those, however, with whom trade is the principal object, the case presents nothing different from what has been already said as to going into and coming out of trade, and the rules applicable thereto, (which however always really and truly belong to speculation,)—that is to endeavour once for all to secure a gain upon stock. Supposing, therefore, the opportunity to occur to a person where he discovers he can add a third or a half to his capital or double it by retiring, he is to consider whether this be worth the sacrifice

he is called on to make or not ;—whether he is to take it and have done with trade and labour and expect nothing more, or he shall go on with the toil and labour of trade in the expectation of additional and farther gain ; for one view of profit, let it be observed, is that it is nothing more than the value of labour and risk added to the common rate of interest. The decision finally come to, it is obvious, must depend very much upon circumstances ;—upon a person's age and connections, his capital and expectations—whether he is to be satisfied with a moderate competency or looks to a great fortune, or lastly, upon the sum he has already realized.—It is enough for us to state facts or lay down principles such as we conceive them to exist, leaving the use made of them to the judgment of the individual.

So far, however, as the disadvantage of storing is chosen to be submitted to, or a dead or dormant stock is allowed to remain on hand for a time, and speculation entirely separated from trade, the case is completely altered. Under these conditions, there can be no difficulty in going into and coming out of the market when a person chooses ; this being a happy circumstance always attending speculation, (speculation strictly understood, it is to be remembered,) on the principles here recommended—that there can never be any difficulty in buying when a person should buy, that is when things are cheap—seldom any in selling when a person should sell, that is when things are dear or in demand. If, indeed, we apply this to any particular commodity—grain, whale-oil, hops, or cotton for instance, it will be better understood or more evident, any lot of these, it is obvious, being either to be bought or sold at any time in the circumstances above referred to ; and it is clear from the statements already made, that there are many articles which will bear the expense of storing till the proper price waited for comes round.

So far the union of trade and speculation is unavoidable—so far it is desirable—so far they are incompatible.

Yet must we not mistake union for identity. The truth

is, trade and speculation are always in their proper nature ; in all their degrees and phases, incompatible. They may or occasionally must be united, but can never be identical ; and when carried on simultaneously, or the one for the sake of the other, like oil and water, still repel each other. Each, although it may be brought to the aid of the other, is still governed by and conducted on its own separate and peculiar principles. When we would render trade subordinate to speculation, we find we destroy that trade ; when we would bring speculation to the aid of trade, we discover we have on hand an extraneous and dormant stock inconsistent with the nature of trade. And this is without exception, unless it be in the case of joint-stock companies, to be afterwards noticed.

SECTION X.

SPECULATION—AN EXCEPTION IN BUSINESS.

Of the two, trade and speculation, which is the superior which the inferior, we apprehend there cannot be a doubt. Speculation is in truth a mere exception in business, arising out of the derangements of trade or impossibility of adjusting the supply to the demand ; yet so far useful to or coming in aid of trade as it has a tendency to produce readjustment ; to prevent extreme in price, as well that which is ruinously low as that which is excessive, results in dearth and famine. For if a person buy when prices are low, this has clearly a tendency to raise price ; as if when he brings out a store and sells when prices are high, it has to lower it.

With regard to the individual which is to be preferred, there seems to be as little doubt. Trade is steady and uniform, and can be carried on at all times ; speculation, on

the other hand, only occasionally, or when opportunity offers. There is therefore a peculiar certainty which belongs to the former which does not belong to the latter, and this certainty is the certainty of employment or scope for it. The time also required to mature a speculation, is not to be forgotten ; during which it may be conceived more money will often be made in the regular course of trade. As in mechanics so in speculation, what we gain in force or accumulated power, saving of labour, we generally lose in time. Yet without doubt occasionally very large sums are made by opportunities which it requires but a very ordinary share of sagacity to foresee and take advantage of—the produce of or having their origin in that very exception to which we have referred. Thus when we consider that Greenland whale-oil within fourteen years, (*viz.* between 1822 and 1836,) has afforded four good opportunities for speculation, low price as well as high, on three of which a gross gain of 100 per cent. or upwards might have been obtained, on the fourth 50, while during the same period it is known to have been a bad business to the whale-fisher, (a fact placed beyond a doubt by the circumstance of the number of vessels engaged in the trade having between the years 1820 and 1837 been reduced from 142 to 59, and that this year the Truelove, Captain Parker, is the only vessel out from Hull to Davies' Straits, from which twenty years ago there were no less than sixty vessels sent to the northern fisheries), it is evident that the speculator, in this case at least, might have made a good business of the same commodity, by dealing in which the regular trader, (that is the fisher,) was ruined. On the same principle also, it is well understood that herring-curers are better off with a small or moderate take of fish than with a great, their interest being in this respect diametrically opposite to that of the boatmen.

This is indeed a subject into which we may go a little farther in detail. Thus, let us suppose a person buys 50 tuns of Greenland whale-oil in December 1833 or January

1834, at £21, 10s. per tun, (the then price,) which he sells in May 1836 at £42 per tun, (the market-price at that date,) the account will stand thus:—

Cr.

By cash for 50 tuns of Greenland whale-oil,
at £42 per tun, . . . £2100 0 0

Dr.

To paid for same at £21, 10s. per tun, . . .	£1075 0 0	
Interest of the above sum for 2½ years at 4 per cent. . .	£107 10 0	
To deterioration of stock, in- cluding leakage, at same rate on purchase price, . .	107 10 0	
Cellar-rent for the above pe- riod, at £15 per annum, . .	37 10 0	
Commission on sales, at 2½ per cent.	52 10 0	
Incidents,	15 0 0	
	<hr/>	1395 0 0

Clear or net gain, exclusive of interest } at 4 per cent.	£705 0 0
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Another distinction between trade and speculation is this—that while the profits of trade may be said to be confined to a per-centage which is uniform or nearly uniform over the whole—no such limitation belongs to the gains of speculation, which are to be decided solely by, or are greater or less according to the nature of, the particular case, or the sagacity of the individual.

One question which will occur here is—what is a person to do with his money in the intervals between one speculation and another? He is not if possible to let it lie idle and unproductive, and he must have it always at command. But this surely may be managed too. He is to invest it either in the public or in private stocks as he deems best, and sell when he sees an opportunity for a favourable purchase. Or he may do as A. W. of Leith did during the

war, constantly keep a sum in the bank waiting the contingency of low price—at a sacrifice no doubt, but which may still be worth submitting to.

The whole difficulty may, however, perhaps be completely solved by what is contained in the following Section.

SECTION XI.

MODE BY WHICH SPECULATION MAY BE REDUCED TO A REGULAR BUSINESS.

Speculation we have said is thus far to be distinguished from trade, that, while the occasion or demand for the latter is steady and uniform, the opportunity for the former is merely casual and irregular. But such is the variety of productions afforded by commerce or brought into demand by the necessities, the luxuries of man, and the complex state of things thereby occasioned, that when one object of speculation is dismissed or fails, a wide field exists in which to look out for another. There is, in fact, almost always something which is plentiful or scarce, that is at a price below or above the average, viz. grain, or a particular species of grain, cotton, hemp, flax, wool, leather, oils of various kinds—whale, palm, olive, pale seal, South Sea, sperm, cod, brown rape—whale-bone, rice, sugar, coffee, rum, tallow, tar, turpentine, salt-petre, indigo, &c.; so that a person may at any given or particular time, have an opportunity of laying the foundation of a speculation by purchase or of finishing it by sale; if not the one at least the other. And the state of things which fits for the one is just as necessary as that which fits for the other.

Thus may irregularity be converted into regularity; and that which is in its nature occasional made permanent, or

the subject of a continued mode of operation ; or one speculation be uniformly succeeded by another.

It must be confessed, however, that much depends upon an article suiting a person, or he being acquainted with the nature of it ; and if not possessed of an extensive stock of information and experience, he must allow or be compelled to let pass many opportunities which otherwise he might have embraced.

There is likewise another consideration which occurs here. In general, it requires considerable time to mature a single speculation, and bring it to a successful termination. Now, if a person embark his whole disposable means in any one article, he is in that case not only obliged to wait the issue of this one adventure, according to the fortune of the article, but is during the time precluded from having any thing to do with any other, whatever advantages it may offer.

Therefore, if a person be inclined to make speculation a business, it would seem best to invest only a part of his capital in any one commodity, so as to have many speculations afloat at the same time, different in their stages, some if possible always commencing, and others falling in or terminating. By these means, it might be brought more nearly to the nature and condition of a regular trade ; in which not only was a person's whole capital with more certainty constantly engaged, but an average established, rendering it more uniform and safe. And so considered, it matters not to a speculator whether things rise or fall. When they fall he is to buy ; when they rise he is to sell. His only difficulty is when they stand still.

Nor is this to be confounded with wholesale or trade strictly understood, which is a different thing, and consists in supplying set customers for a regular profit.

For the plenty or scarcity of any one article dependent on the seasons, again, we have to observe there are more than one cause, as will appear from what is said in the succeeding Section.

SECTION XII.

THE PLENTY OR SCARCITY OF THINGS THE PRODUCE OF THE SEASONS—THE TWO CAUSES ON WHICH DEPENDENT.

We have repeatedly spoken of commodities or a particular commodity, the produce of the seasons, being plentiful or scarce, that is at a particular period as compared with their state at another period ; but it were a mistake to think that this arises entirely from the goodness or badness of seasons. There are, in fact, two causes which may produce this plentifulness or scarcity, or on which it depends, or the operating principle here divides into two parts.

The first and the chief of these causes we would say, but with a little hesitation, is the goodness or badness of seasons, or of a particular season. Thus when all grain or crop is plentiful or all grain or crop is scarce, that is cheap or dear, there can be no doubt that this is occasioned by the goodness or badness of the particular season. Not so, however, when only a particular species of grain crop or production is plentiful or scarce, or cheap or dear ;—another cause may account for this.

This cause is the oscillations of trade, already explained in Section 12 of Trade. For instance—for several years previous to 1834, potatoes had been paying remarkably well, but the crop for that year was so excessive or far beyond an average, notwithstanding that a great alarm was raised in the beginning of the season about the failure of the seed, and it was predicted there would be no crop at all, that potatoes fell to the low price for average of 50s. per ton. The next year, 1835, they rose for average to from 75s. to 85s., which, making allowance for the reduction of measure, (one-fifth,) which took place that year, is equal to 100s. per ton. It is

true the season of 1834 was rather a finer, but not much finer season than 1835; but that this cause will not account for the difference of price of potatoes in the two seasons, is shewn by this, that grain generally was no dearer but rather cheaper in 1835 than it was in 1834. It is probable also the price of potatoes 1835, would have been still higher but for the low price of meal and flour that year. Even granting, then, that the crop of potatoes 1835 was inferior to the crop of grain that year, (for it will occasionally happen that there is to a slight extent a better or worse crop the same season of one species than another, arising out of the season,) there still remains enough of proof for bringing us to the conclusion that fewer potatoes must have been planted in 1835 than in the preceding year.

The cause of this, we come to the conclusion, was the excessive cheapness of potatoes the previous year. Now a person who followed the business of speculation, when he found potatoes so cheap in 1834, if he had known what he was about, would have planted more rather than fewer next year, in reliance on the revulsion naturally to be expected from lowness of price, which would have been exactly the same as or acting on the principle of purchasing cheap;—a person who followed trade—the same quantity without any reference to what had happened or was to happen—in reliance that prices on an average of years will compensate each other or be the same.

And here, it may be proper to remark, that the oscillations of trade operate more quickly, or produce their proper effects sooner, in some things than in others; according as change is more or less easily effected or capital withdrawn or embarked. Thus a particular kind of grain may be cheap or dear from this cause within the lapse of a year, or by the return of a single season. Cheapness or dearness in cattle, although perhaps more exclusively affected by the cause of oscillation will take two or three years to produce a contrary effect; and wool or leather, as well as several other things,

may be cheap or dear perhaps only once in from five to seven years, gradually however approximating or verging to one or other of the extremes perhaps the whole time.

It must not be thought, however, that a person has always to wait for these five or seven years for the successful completion of a speculation, but may accomplish it in less time, according as he is fortunate or otherwise. Thus if a person bought Surat cotton in June 1828, (price $3\frac{1}{2}$ d. @ $5\frac{1}{2}$ d.,) he could have realized no great gain till August 1833, five years afterwards, (price $6\frac{3}{4}$ d. @ $8\frac{1}{2}$ d.;) but if he had been so fortunate as to buy in January 1834, (price $4\frac{3}{4}$ d. @ 7d.,) he might have sold in June next year, (1835,) at nearly double, (price $7\frac{3}{8}$ d. @ $9\frac{1}{8}$ d.,) and reinvested in June 1837 as low as from $2\frac{3}{4}$ d. @ $4\frac{3}{4}$ d.;—so that all is not certainty here; that is, although in a well-founded speculation we may look forward with confidence to a successful or favourable issue, the when and the amount must in a great measure be committed to chance.

These we would call the chief or principal scientific rules of speculation;—the false or unscientific will be afterwards noticed.

The principle generally recommended, is to buy when things are low and sell when they are high; and if we could buy at the lowest and sell at the highest, this would be the perfection of speculation—cutting very clean. But the subject is of importance sufficient to entitle it to be discussed by itself;—introducing, indeed, a principle more strict or stringent than average, (for we have hitherto spoken only of low price, not the lowest—the opposite will follow in the course of the subject,) but which must still be understood as but minor and subordinate to the latter, a wheel within a wheel, and without which it would in reality be nothing.

SECTION XIII.

HOW TO KNOW WHEN THINGS ARE AT THE WORST, WHEN
AT THE BEST, OR A PARTICULAR COMMODITY IS AT THE
LOWEST OR HIGHEST PRICE.

This is the great difficulty in speculation ; for if we could know exactly or with certainty when a thing is at the worst, when at the best, that is the lowest price to which a particular commodity will fall at a particular time, or the highest to which it will rise at another, we could never err. We would have then only to buy in the one case and sell in the other at the prices thus ascertained.

The following anecdote will perhaps throw some light on the subject. On stating the first part of the difficulty or dilemma to a friend, he observed—"How do you know when a man is at the worst ? He may not be at the worst when he is sweeping the streets ; for there are never more street-sweepers employed than are required to do the work, so that a person must wait till a vacancy occurs, and when it does, it must be a favour to employ him, if we do not suppose there are no other competitors. It requires interest, therefore, to get in to be a street-sweeper, and I have known a person dismissed from the employment as incapable or unfit for duty."

Now the rule which these observations suggest, we conceive to be the only, and therefore the proper one. The only way we can know when a person is at the worst, or rather has been at the worst, is when he is getting better ; —when his circumstances are mending. We may then be sure that the worst is past with him. So it is with commodities. When a particular commodity begins to rise in price we may then fairly conclude, (laying out of view a circum-

stance already and to be afterwards noticed,) that it has passed its period of lowest depression.

The same or a similar rule applies to knowing when any commodity has reached its highest price. For as, according to the common proverb—"When things are at the worst they will mend," so also it follows as the counterpart of the axiom, that when they arrive at their pitch of perfection, they must as a necessary consequence decline. This pitch or point in price, is therefore only ascertained by a fall. When prices begin to fall their rise is over. But this has the effect of introducing another principle or consideration.

SECTION XIV.

OF DOING THE BEST—THE SPECULATIVE OR SCIENTIFIC BEST.

It follows from what has been said, that to do the best in buying, the price must touch a rise; to do the best in selling, it must touch a fall. Therefore, doing the best in either case is very close on or near to doing ill. And this is a maxim which holds not only in trade, but through all human affairs—the greatest good always bordering upon evil, and the virtues in extreme running into, and taking the names of the vices;—the case in things material as well as mental, physical as well as intellectual. If the sailor has had a very quick passage, the chance is, that he has been scudding before a gale, and all but escaped shipwreck; if the farmer has a very great crop, it is near to no crop at all, to being laid, to destruction.

There is indeed one thing already alluded to which may affect the validity or correctness of this our principle—that is, that a rise or fall of prices may be but temporary, and therefore, as not indicating the final point of depression or

rise, be no just criterion of the commencement of an opposite tendency or progression, such as we have spoken of, in either case or of either kind. But this is a mere circumstance, a thing incidental or occasional, and for which there seems no remedy or provision—except perhaps as afterwards explained. The real and the apparent, therefore, here, in the first instance at least, not being to be distinguished, must be held to be the same, unless we are to dispense with rules altogether, and to require no maxims for regulating conduct;—that is, if no peculiarity attending the particular case shall enable us to discover and decide upon its true nature.

But this is not all. The principle itself, laying out of view the above circumstance, seems objectionable as a practical principle—correct as it may be or supreme in theory—being such as evidently contains a contradiction so far as it refers to action, and therefore cannot be carried into effect. The practical and the speculative hence so far differ; and not only are we justified in so doing, but are compelled to look for another rule of action, something lower, but more within the reach of attainment—such as is perhaps laid down in the following Section.

SECTION XV.

OF DOING THE BEST—THE ATTAINABLE OR PRACTICAL BEST.

As already said, the extreme point of depression in price being known only by the commencement of a rise, the final point of rise by the commencement of a fall, that is each by its opposite—it is clear, that if we wait for either of these for an absolute confirmation, the time for buying at the lowest or selling at the highest is past—we are too late, and a pro-

gression begun which may prevent us from either buying or selling to advantage;—such advantage as is the subject of our present discussion. It is evident, therefore, that there can be no satisfaction here; that there is no certainty, no exactness to be attained on this point. The principle in view, it would hence appear, is not the principle to *act upon*; but only such as serves the purpose of curiosity after the event, like a water-mark, which shews how high the tide has risen, how low it has ebbed; or at least which is useful only so far as it leads to or introduces the true or proper principle.

It would seem better, therefore, to act upon another principle—*anticipation*; to decide on a comparison between present and former prices, and without waiting for the verification of the extreme point in either case—in buying to anticipate a rise:—in selling, to anticipate a fall. It will sometimes happen in this way that a person might have done better, but it will also often happen that an error is avoided. And, exact perfection being unattainable in human affairs, a person should always be satisfied with having done *well*, without having done *the best*—the very best. This indeed, it will be seen, brings us back to a rule already laid down—is but recurring to, applying, or being guided by the rule of *average* in selling as well as in buying, as shewing when a commodity is above or below the central line, being satisfied with or preserving a certain degree of moderation even when dealing with fluctuations; which, although it falls short of infinite or perfect accuracy, is yet sufficiently accurate for all practical purposes. It has also the effect of relieving us of the minor or subordinate intermediate difficulty attending our main principle laid down in the preceding Section—that a rise or fall of prices, as used as the criterion of an opposite progression, may be but temporary—average comprehending all and tending to correct minor inequalities. It may therefore be pronounced the correct or proper rule.

We may indeed recur to the Price Current or other record so far as it exists for actual and individual bygone prices

—the very lowest or the very highest—terminal points, or the absolute limit on either side to which a particular commodity has ever either fallen or risen. And we may here observe, that a set of such documents for the purpose of reference is invaluable to the speculator, and which, in truth, ought to be his text-book or the subject of his especial meditation ; for it is in the Price Current, as shewing fluctuations, the ups and downs of prices, with the intervals between, that this class of speculations is truly and properly to be studied ; and having said this much or so referred to facts, the past, minute and consecutive, as a guide for the future, we cannot be accused of misleading—it being here that theory is ultimately to rest.

We have indeed given minute data for twenty years from such authority for the articles of Greenland whale-oil, and cotton, and still more minute for wheat ; but these articles constitute but a few in the multiplicity which compose commerce, and therefore a great field for study still remains in the Price Current. The truth is, a speculator who conducts his business properly, ought to make a table for himself of the bygone prices of the commodity in which he deals, similar to that which we have made up of those of wheat. No doubt, every one proposes to himself to buy cheap and sell dear ; but by what rule does he know when a commodity is cheap or dear ?—the rule of thumb—that is, guess. Now for this we propose to substitute—figures—one which may be held as establishing not an infallible but the greatest actual certainty or exactness that can be attained—that is as to any event which has not yet happened. Taking, therefore, the central point of average, along with the two extremes by which it is bounded and the intermediate facts, average and all of which it is made up or composed, a person has the whole subject before him—complete data, that is as complete as can be obtained—all that can be given him for regulating his conduct with regard to a particular commodity ; and perhaps not any one of these can be said to form a guide without the other.

One use of an acquaintance with extreme facts, or what we have termed terminal points, is certainly that it lets us know when we may have a very great advantage in buying at least, and in some cases to wait for such advantage, as well as the corresponding one in selling; but it can never by itself form the sole rule or be completely to be relied upon; for can it be said at any one time that a particular commodity or article will either fall as low or rise as high as it has done on a former occasion; or, however low it has formerly fallen, that it may not fall still lower, or however high it has risen, that it may not rise still higher—circumstances being different.

A distinction, however, seems here to suggest itself. In selling indeed, although, if we take into account what we might have got and want, there can never be said to be less risk than in buying, there is at least this advantage—that we are certain when we can get an advance or gain, though not perhaps the greatest or highest; and are so far successful and ready for a new investment.

The wisdom of the conduct above recommended, that is acting by anticipation or on the general consideration of average, at least in things the produce of the seasons, is rendered apparent by an opposite, which is to be remarked among those who grasp at the last or highest advantage—illustration or instance being the more necessary, as we have hitherto, on this subject or particular point, dealt only in general terms or spoken too much in the abstract. Thus, a farmer is offered 35s. per quarter for his barley. No—says he, I will not take it—I must have 40s.; and accordingly keeps it till he gets 25s. Another is offered 1s. 6d. for the stone of his hay, and keeps it till he gets 9d. And these are founded upon or rather are facts which actually came within our own knowledge. Something similar, though not so perceptible or distinctly marked, must also frequently take place in buying. It must often happen that a person waits till he miss his opportunity, till the tide, which is to be taken, not at the flood but at the ebb, the lowest ebb, is gone, and things have started to a price at which he either can do no good with

them, or his advantage will be nowise extraordinary. Indeed, this is an error of frequent occurrence. We often think there is no hurry in buying when things are low, imagining or believing that they will long remain as they are; but in this we find ourselves mistaken. It is in reality no more natural for things to remain at a low price than at a high.

What we have here recommended is to buy *before* a rise, to sell *before* a fall. An inferior maxim already recognised among merchants or practical men, is—to “sell immediately on a fall;” and, if such be correct, should we not always buy immediately on a rise?—Still better, as we have already said, would it be to buy before it; which, however, must be done without exactness, by a sort of guess work, yet often the actual best;—that is the practical, the attainable;—nevertheless not without risk, for we must confess that there is no complete certainty to be attained on this subject, and that we will often have to repent selling as well as buying—as well as not doing either—and that the matter comes in fact to be in some measure a calculation of chances.

That what is here said does not apply to selling in things composing Class II., joint-stock companies and others, or at least but in a slight degree or in certain cases, will afterwards appear.

Finally, indeed, as settling *pros* and *cons*, in this case most difficult, and whatever side we look to attended with danger, we have here to mention a circumstance curious in itself, yet having reference to what has gone before—that is, that there are many who have nerve for a low purchase or purchasing at a low rate, who have not nerve for holding on at a high;—for which there seems to be thus far a reason, that a person is sure of a progression forward, or at least cannot help himself, generally speaking, by any conduct of his own when he has bought low and price afterwards falls lower; but it is a critical thing, every moment being pregnant with danger, and conduct here being fate, to hold on when things are high.

SECTION XVI.

OF FALSE PRINCIPLES OF SPECULATION.

Having laid down what we deem the true principles of speculation, we come now to those we consider the false.

The *first* of these is taking a false view of low prices, a false view of high ;—buying when things are high, refusing to buy when they are low ; which is not only erroneous, but as we conceive diametrically opposite to true principles.

For such conduct, however, there are reasons sufficient to account in the nature of things ; as will appear from what is stated in the next Section, which, as involving a principle, seems entitled to be made an article by itself.

SECTION XVII.

HIGH PRICES—DANGER OF.

When prices are high, of course there is a great demand, and business is brisk ; when prices are low, there is little demand, and business is dull. Hence, the temptation in the one case, and the discouragement in the other.

Therefore, to be a good merchant or speculator, as to be a good general, nerve is necessary ; and the one as well as the other, must often act in the face of appearances ;—he must believe, contrary to what the fabulous first inhabitants of the earth are reported to have done—that the sun will rise again after it has set. Nay, we should say a good merchant must *always* act contrary to appearances, at least to

what appears to the generality of mankind. He must buy when no other person will buy; sell when no other person will sell;—although certainly, if properly considered, it is most consistent with reason to buy when things are low, to sell when they are high. Yet this we venture to say, is not the light in which the matter appears to the world;—the changes which time introduces, on which all here laid down is founded, although not wondered at when they do happen, because it is then the present that is before us, are previously perfectly incredible. So vivid indeed is the impression of the present, so strongly prejudicing, so powerful a rank does it hold among the causes which affect the mind, that it almost entirely blinds us to the future, or it is with difficulty we can see beyond it.

The rule, therefore, generally is, (the temptation being apparent,) to speculate in high prices; that is to buy when things are high, in the expectation of their rising still higher. In this, indeed, there may often be much gain, but there is always great risk. Therefore to be safe the article must be got rid of immediately, that is soon, whether at a gain or at a loss; if at a loss, to save a greater. And the last holder in cases of this kind, be it observed, is always a dupe. The conduct described is indeed a common one, by which we find many ruin themselves, and often throw away the fruits of a long life of industry by a single false step;—as was the case with our friend Macalaster of Liverpool, who was tempted to buy largely of cotton at a high price. The consequence was dear-bought wisdom;—bankruptcy, and that he had to begin the world again after having been worth at least £100,000. And it is not many months since Mr G. committed suicide in consequence of the settlement, or rather apparent settlement, of the dispute with China, (the same being not yet settled), having embarked in an enormous speculation in tea on such a contingency. Oh! lamentable effect of folly and ignorance.

The foundation of the error here mentioned—is to take

the present for all :—not to look to change ; to expect no reversal of circumstances ; but to take for granted that things will remain as they are ; that when prices are low they will continue low, when they are high they will continue high—or that the existing progression will go on. But change is a chief element in nature, constantly in operation ; and that prices can always mount higher and higher, is no more possible than that they can continue perpetually to decline or even to remain at a very low point of depression.

Yet if a person has bought a commodity high, and it afterwards falls low, his business is on the general rule, or if it is one which may reasonably be expected to rise again, to keep on, as he now holds it at the cheap or low price ; but this leads to another consideration discussed in the succeeding Section.

SECTION XVIII.

OF BUYING TO LOWER AVERAGE.

Sometimes when a person has bought a commodity which falls much in price, he again buys more of it for the purpose of reducing the price of what he already holds, or lowering the average of the whole ; in order to enable him, in the language of trade, to get more easily out. To this there can be no objection, if the last purchase be made at a sufficiently low price. But the two things or transactions have no proper or necessary connection, as he would have obtained the same end by making an equally low purchase in any other commodity ; that is, the prospective or real loss in the one case would have been balanced by the probable or real gain in the other ;—taking into account however always, that he is, in all likelihood, better acquainted with the qualities, the circumstances, and history of the commodity in which

he had the first transaction, from having studied it more than those of any other, and consequently better qualified to judge of its real nature, as present and with respect to the prospect of the future.

Yet let it be finally observed on this head, that if a person has bought at a high price, and his capital, (or it may be credit,) is exhausted, he is then fixed, nailed, and cannot help himself, that is he cannot take advantage of a fall;—a predicament from which he is to be extricated only by time, or the commodity rising again to its former level, if it shall ever do so; and therefore one which he should be particularly careful to avoid.

SECTION XIX.

OF GAINING BY A TRANSFER OF INVESTMENT,

As of the same individual nature with the foregoing, but on the other side, may be classed the following case.

Suppose a person has made an investment in a particular commodity or stock, on which he could at the present moment realize say 20 per cent. by selling, but on which he has the prospect of realizing an additional 20 per cent. by keeping—if this person discovers another commodity on which he could realize 20 per cent. by an investment in, he ought by all means to sell and invest in this latter commodity, (that is, if he wants or has no other means or mode of raising the necessary funds); because, the 20 per cent. will then be obtained on a higher sum. Thus, let us suppose the first investment to be £1000, (say in flax,) by selling this £1000 is converted into £1200, (to be invested say in tallow,) on which latter sum the 20 per cent. is now to be obtained instead of £1000, or the gain will be £240 instead of £200.

In such a case, therefore, it is obvious a transference of interest or funds will be most judicious.

As in some measure connected with or following up what has been said in the preceding Section, it will be seen that the same expedient may also be resorted to, to avoid a loss. For instance, if a person has involved himself with a commodity which he can only sell at a price below what it has cost him, and which affords little prospect of a rise, and sees another which has every appearance of advancing, or which he thinks he could do good in, a transfer will in like manner be equally advisable;—that is, by all means get quit of the unpromising stock, and avail yourself of the better investment. This, however, it will at once be seen, is but a palliation, not a cure of the error mentioned in the end of the preceding Section, and is practicable or applies only in some cases—that is as an exception—circumstances marking the distinction between and governing a person in this and the other referred to, (end of Section 17);—deciding whether he is to sell or hold on. But the case will be more distinctly stated in the following Section.

SECTION XX.

OF GAINING BY A FALL OF PRICES.

We have said in the end of Section 17, that if a person has bought a commodity high and it afterwards falls low, his business is on the general rule, or if it be one which may reasonably be expected to rise again, to keep on, as he now holds it at the cheap or low price. But there is an intermediate error before he arrives at this stage, which falls now to be pointed out.

What indeed is contained in this Section has already been

partly anticipated in different forms in what has gone before, but it becomes necessary, as well on account of its importance as for the sake of distinctness, to give it a place by itself.

In the first place, as to *saving during or in the course of a fall* of prices, we may state that we were acquainted with a draper who had a stock of cotton cloth which stood him in 2s. per yard, or which at least he could not afford to sell under that price with a reasonable profit. This cloth fell to 1s. 9d. per yard; but he being of the old school, continued to sell at the old price. This cloth again fell to 1s. 6d. per yard, but still he continued to demand the same price—it again fell to 1s. and ultimately to 6d., but still he remained firm—till at last he lost both his cloth and his business. We may add, that we also knew a bookseller who had a stock of books which cost him dear. Books fell in price; but his maxim was that he would not sell them for less than they cost him. He accordingly kept them till they were worth little or nothing.

So much for the negative part of this principle. We come now to the positive—*gaining by a fall*. We must however here premise, that although there may be commodities which fall permanently, as there are those which rise—there are others again which fluctuate, which both fall and rise. With regard to these last, it is clear that if a person has bought at a certain price—if he then sells off, buys again at a lower price, and keeps on the commodity till it return to its former price or a higher, that he is so far a gainer. Thus, if a person buy wheat in November at 50s. per quarter—and sell in August at 40s.—buy again in December at 35s., (keeping up always the same amount of stock,)—and sell in August following at 60s.—he gains 5s. per quarter by the fall of prices, without regard to the rise. And this is near about what is stated as a fact in the former part of this work.

SECTION XXI.

ARTIFICIAL SCARCITY.

An error of an opposite nature to that mentioned in Section 17, and which constitutes the *second* species of false speculation—is to expect too sudden a change ; not to allow sufficient time for great change, which is the essence of speculation, or to found speculation on too narrow a basis. To approach precision on this point—a speculation properly calculated, cannot in the general, and as already said, unless a person be particularly fortunate, (grain we would say in a measure or to an extent excepted,) succeed in less than from two to three, five to seven years, as the case may be. But the speculations here alluded to, are calculated only for half-a-year or a few months ; and, worst of all, they often want the true root—low purchase. They combine two errors ; a purchase originally too high, and the expectation of a sudden rise ; a great change in a small period.

The mode in which they are attempted to be carried into effect, is to endeavour to create *an artificial scarcity* of a particular commodity, by buying up all that commodity—tallow for instance, as was attempted some years ago, (by which the market is to be commanded ;)—not considering in the first place, that this can never be effectually done, and if it could, that the first importation or new production will overturn the whole ; again, that mankind can find substitutes, which they will rather resort to than pay enormously for an article, or that they will do with less of it than usual, or even without it altogether. It most commonly happens, too, that persons who engage in such schemes want capital ; so that the whole becomes a desperate enterprise—the result of which is bankruptcy and ruin. This is what receives

the name of speculation from the world ; synonymous with, as it is conspicuous in, folly.

The most curious as well as the most successful instance of forced speculation of which we have heard, is the following ; for the truth of which, however, we do not vouch, but give it merely as we received it. A certain citizen of Montrose, it is said, wrote his agent in London to purchase a ton of copper for him ; but the letter being one of the very worst specimens of penmanship, as well as perhaps not very correct in point of orthography, the agent read the order a ton of capers. Surprised at such an order, but nevertheless anxious to oblige his correspondent, he immediately set to work, and bought up the commodity in all quarters, till he had the requisite amount. This, as may be conceived, was attended with the very natural effect of creating a demand for capers, (in the language of trade, capers came to be inquired after,) and also of rendering them scarce, so that they in consequence rose very much in price. The agent now wrote his correspondent that he had had great difficulty in fulfilling his order, but at last had succeeded in procuring for him a ton of capers ; but that capers had since risen very much in price, and if he chose to sell he had now an opportunity of realizing a handsome gain on the transaction. The Montrose citizen, as might be expected, was very much astonished in his turn by the communication, and the manner in which his order had been fulfilled, but had the good sense to write immediately to sell by all means—and thus, it is added, pocketed a considerable sum from an unintentional speculation and unexpected advantage.

Such a thing is possible or may be conceived to succeed with such a commodity as capers, of which there is always a limited quantity in the market ; but resembles one of those stratagems of war by which a town is sometimes taken, the success of which is more wonderful than would be the failure—although by no means coming up in point of extravagance or romantic nature to some of those practised by the

Earl of Peterborough in Spain, and by which he was enabled to triumph over his enemies. Still, notwithstanding the Montrose citizen's good fortune, few, we dare say, will be inclined to repeat the experiment, or run the same hazard.

To all such schemes, indeed, remains the objection of returning the same stock upon the market. If you return the whole, exactly as much is returned as was withdrawn, the equilibrium would seem to be again restored, and, (excepting the trouble and expense,) nothing to be gained or lost by the whole process. If you return only a part—what is the value of the remainder?

It must, therefore, so happen, that a rise produced in this manner is always soon followed by a proportionate, if not greater, fall.

SECTION XXII.

MINOR PRINCIPLES OF SPECULATION.

There are speculations often resorted to, which, although of an inferior order, or upon a minor scale, are yet perfectly legitimate, resting on fixed data; different indeed from, but however various or miscellaneous, characterized by the same general nature and result as that contained in Sections 1st and 6th, being founded on this—that certain things are cheaper at one season of the year, dearer at another. Grain, we have already mentioned as generally cheaper in the winter months; and this may be occasioned as much by this being about the time rents are payable, when the farmers want money, as the abundance occasioned by a new crop having come in, or at least this is a cause by which the effect of that abundance must be increased.

The same applies to many other things in a similar manner. Coals at a distance from the pits, are generally dearer in winter than in summer, especially if they have to be carried by sea. Even in some places or towns, certain winds, by detaining the vessels by which they are brought, will raise the price temporarily. The consequence is, that money is often made by storing them. Leather also rises a little in winter; if not more, at least better shoes being required in bad weather than in good; and candles also are generally cheaper in summer, when the demand is little, than in winter when the demand is great; however little foresight being required to lay in a stock, either that or the means being often wanting. And it is generally remarked that the poor pay most for every thing.

On the contrary, a great price is often obtained by carrying things early to market. Thus, the first herrings which reach the market generally bring a higher price than those which arrive later in the season. But more particularly is this the case with garden stuffs, such as peas, potatoes, and strawberries; which often bring most extravagant prices if early or premature in production. It therefore appears that both selling late and selling early have the same effect; of which grain affords an instance in the same commodity, the early deliveries of which generally bring a good price; in the same manner as when it is kept up till near the coming in of the new crop. Potatoes also bring a better price if brought early or late to market than during the middle of the season; although here sometimes comes in the modification of a still subordinate principle. At *the very close* of the season, they may be sold cheap because they will not keep. Something similar also has been remarked with regard to Greenland whale-oil. It is sometimes obtained a little cheaper than ordinary just before the vessels sail for the fishing, because they want their casks.

Selling early may appear to fall more naturally to be ranked under the head of trade than of speculation, as being

intended to supply immediate want, and in particular under that of monopoly, obtained by or through another principle—competition. But the truth is, all speculation may be reduced to, or has for its aim monopoly, or the scarcity price; although this monopoly is properly to be obtained by or through natural, not artificial means.

SECTION XXIII.

REVIEW OF THE PRECEDING CLASS.

We have already granted speculation to be *an exception* in business or human affairs; an exception, it may be now suggested, founded in a great measure on or referable to the ignorance and improvidence of mankind. Thus, it may be said—that if all men laid in a store in times of plenty, such would have the effect of meeting or supplying the deficiency of times of scarcity, of raising low price in the former case, and lowering high in the latter, so as to reduce the whole stock of a particular article at all times to an average or equality, in which no excess could in any one's hands predominate or deficiency prevail, and in which there would be no room for one man obtaining an advantage over another. Or, in other words, that if all men speculated, speculation would be vain.

Therefore, that our maxims contradict themselves, and the whole of what is taught or attempted to be taught, is a mere nullity and comes to nothing;—the more especially if it is successfully taught, the cunning or artifice of one man in that case defeating the cunning or artifice of another.

There can be no doubt that this is in a measure true, or to a certain extent correct; although not entirely or unlimitedly so. Thus, it may be allowed that when a great produce of

any commodity does take place, mankind are in a great measure prevented from laying up a store, as did that most ancient and successful of speculators, Joseph, for a period of scarcity, for which any price would be given or might be obtained, by their want of foresight and imprudence; and that to render all men wise would be to leave no room to profit by their negligence or folly. In point of fact, also, the plenty of one season is known, to a certain extent, to make up for or supply the deficiency of another, more indeed from the nature of things than from any intention or foresight on the part of mankind; the superabundance of times of plenty being always difficult to be disposed of, and naturally remaining a stock on hand.

With reference, however, to the objection started, it may safely be predicted that the danger of rendering *all men wise* is not great; that the mass of mankind will always remain ignorant and improvident, in spite of every attempt to render them otherwise; the wise and prudent few in number. And if this be true, the exception becomes the general rule, and matters are reversed. He, it is said, who has the folly of mankind for an inheritance has a plentiful estate. The great object of speculation indeed being to substitute sagacity for toil, to enable men to live by their wit instead of their labour—the sole efficiency of the first mentioned quality in one class refers exactly to the want of it in another.

Supposing also all men equally enlightened on the subject, they are not all equally possessed of capital or the means, and therefore have not the power were they so inclined of carrying wise or prudential measures into effect. Add to this, that the class of the rich are equally indifferent with the poor and reckless to such considerations, knowing that although they may suffer or be put to inconvenience it cannot be much, and generally inclined to put off the evil day and allow it to provide for itself;—the degree of uncertainty which still attends all speculations; the time required to mature them; the little interest naturally felt for what is

distant and future; and the preference which, notwithstanding its slow returns, must always be given to trade—all these form reasons for inducing the belief that the affairs of mankind will never be conducted with such exactitude as not to leave room for speculation, or to deprive the preceding theory of all utility or render it entirely worthless.

CLASS II.

SECTION I.

SPECULATION IN STOCKS OF JOINT-STOCK COMPANIES.

Speculation in things belonging to this class, we have already said, is less distinctly marked, or more irregular in nature, than in those comprehended in the preceding class, and not so easily reduced under any proper head.

But, in the first place, the essence of speculation in them would seem to be thus far of the same nature with that in those the produce of the seasons, that the objects of it are at one time plentiful and cheap, at another scarce and dear, that is comparatively so; and so far as the stock of a company is obtained below or at its proper level, or a piece of ground at a fair value in a favoured locality, there can be no doubt of the identity;—in both cases, advantages arising out of the same causes and founded on the same general principles. The stock once found at a low price, is not now to be found but at a high; the ground where it was formerly plentiful is now scarce;—in either instance, a commodity the demand for which has increased.

Secondly—this class of speculations may perhaps be reduced to or characterized by locality. So far as a piece of ground, a rail-road, or a gas company is concerned, this is unquestionably the case ; but even the same seems to apply to an insurance company, which if taken in its narrowest point of view is always fixed to place, or in its most extensive, although a company for such purpose may be commenced any where and extend its operations far and wide, still the greatest companies are to be found in the greatest places. Besides, if we refer to Section 23 of Trade, we find that an established company chiefly has its advantage in or arises out of locality.

But with regard to the subject of our present Section, it would seem—1st, that a person may prudently speculate in the stock of a company temporarily or unnaturally depressed, (he being previously satisfied on this head,) up to the level of par ; that is, give a price for it from a lower, (as much lower as he can obtain it at,) up to the par price ; and, it may be observed, that the stock of a joint-stock company, of a bank for instance, and more particularly of a rail-road, generally falls a little below par, immediately after the formation of the company, and before it has had time properly to come into play. An instance of the stock of a company so depressed, is to be found in that of the Leith Gas Company, which was once as low as £16, (the par or original value being £20 ;) which we must call an unnatural depression, considering the general success of gas companies, by this time ascertained, and the advantages which this one in particular derived from locality in the vicinity of Edinburgh, to which its supply extended. This we know to have been the view taken of it at the time by some—since justified by the event, its stock having risen as high as £50.

2dly, That a person cannot safely or without risk speculate in the stock of a company at a value beyond or above par, that is give a higher than the par price for it, which possesses no local advantages, and which is so advanced

merely because it has not yet encountered competition, and by which its profits are liable at any time, by the commencement of other companies for like purposes, to be reduced to the common level, or a lower, that is a lower than the present general or average. This may be illustrated by what took place in 1825, as to the Fire Insurance Companies. The stock of some of these was at this period at a premium of 50 per cent.; but on the commencement of new companies, during the overtrading, or as it was called overspeculating mania of that year, which, besides dividing the business, was attended with the lowering of the premium for ordinary risks from 2s. to 1s. 6d., (in fact to an extent a new era,) immediately fell to par, and in some cases below it. If they have since recovered or nearly recovered their former level, that is another affair, as they might never have done so; and a loss at all events would have arisen by a purchase previous to this period out of the cause we have mentioned, not only to those who might have sold at the reduced price, but to those who, by their funds being already locked up in them, were prevented from purchasing at that price.

3dly, That a person may prudently speculate in the stock of a company which possesses local advantages, to the extent of these advantages, so far as ascertained, or consistently with probability they may be held to exist. And the same applies to all other things possessing local advantages. The Edinburgh Gas Company may be here properly referred to, possessing as it does the field of the populous and wealthy capital of Scotland, shared only as already mentioned, and that at a comparatively late period, by the Leith Gas Company. When this company commenced, gas companies were but of recent formation, and therefore the undertaking was one far from being without risk, but after its success became so apparent as it did, its stock might have been very wisely and advantageously purchased at a considerable premium. The original value of the share was

£25, which an additional call of £3 afterwards made on the subscribers raised to £28. The value of a share was at one time as high as £66. We have referred to the Leith Gas Company as one, the stock of which a person might have safely speculated in up to par, when it was in a state of depression ; but it may also be referred to as an illustration of the same nature as the Edinburgh Gas Company, that is, after its success became apparent its stock might have properly been purchased at a premium, although not perhaps to the same amount—and it has been seen was so. As another instance of the nature first above mentioned, we may add the Scottish Union Fire Insurance Company, the shares of which were once as low as 13s., the par being 20s. They afterwards reached 30s.

The Manchester railway, situated in the midst of the most populous part of England, and between two of the greatest trading towns not only in the British empire, but probably in the world—is likewise a very striking instance of the advantage of locality, as the event has shewn. But perhaps of all, the Water Company of Edinburgh is the most complete example of monopoly arising out of locality ; they being in possession of all the spring heads above that city, so as to prevent the possibility of the formation of another company for like purpose. They are, however, restricted by Act of Parliament to a dividend of $6\frac{1}{2}$ per cent. on their stock ; but which still is good value up to that amount, and so estimated.

4th, That when a company has encountered all the competition that it can encounter, or that can be brought to bear against it, prospers beyond or above the level of other companies, it may fairly be held to possess some of the advantages which we have described as characterizing an established concern, such as the Bank of Scotland, which, although it has a charter, has no monopoly and never had any, such as possessed by the Bank of England, but in the course of years has by prudent management improved its

capital, proportionally considered, in a degree nearly, if not altogether equal to the last mentioned establishment. Therefore, may the stock of such company, as resting on a solid foundation, prudently be purchased up to the full value which its dividends warrant as interest of money or indicating the value of capital—either simply as an investment for money, or as a speculation with the prospect of improvement, according to circumstances—or both. But of this more hereafter. In addition to the Bank of Scotland, we may here again add the instance of the Scottish Union Fire Insurance Company, who divide $6\frac{1}{4}$ per cent. on their stock, or a still better the Aberdeen Fire Insurance Company, who divide 12 per cent. ; and both of which now seem to run no risk of being disturbed by competition, the premiums on risks being already reduced as low as they apparently can be.

Therefore, although we conceive properly classed by themselves, we would consider all such objects, within the lines drawn, or under the conditions laid down—perfectly legitimate subjects of speculation.

Such companies, indeed, as above mentioned or alluded to, in true and proper nature, come under the head or denomination of trade, not of speculation, except in commencement, a characteristic common to all—as being obviously intended to supply or minister to immediate and continued demand ; yet, it is seen they may undoubtedly be converted into speculations, or become the subject of such to individuals, so far as a rise of stock is calculated on or an alteration by time is produced in them. Thus, it appears, the same thing which is trade to one, may be speculation to another, or trade and speculation at the same time ; trade so long as a person continues connected with it, that is in the middle, speculation at the beginning and the end—here, at least, it would seem demonstrating the possibility of a union, and solving a problem considered so difficult in Section 9, of Class I.

SECTION II.

COMPARATIVE ADVANTAGES OF JOINT-STOCK COMPANIES.

The purposes to which we have said joint-stock companies are suitable, are banking, insurance, a canal, bringing water to a city, a turnpike-road, a toll-bridge, a dock, a railroad, and gas-making. We shall apply the same test to companies formed for such purposes as we have already done to other things, that is the test of facts, so far as can be brought to bear upon them; or in other words shall hold the price of their stock, as compared with the original advance, the criterion of their prosperity and general eligibility.

We may premise, however, that we consider the principle by which superiority among these is decided or given to one over another, to be monopoly more or less strict, and which again among such things, as we have already said, is generally regulated by or dependent on locality. Adopting this criterion, we would be inclined to place canals at the head—next a water company—and in their order—a railroad—a dock—a toll-bridge—a turnpike-road—gas-making—a bank—and last of all, insurance. Facts, however, do not bear out such an arrangement, nor the actual state of joint-stock companies what might abstractly be predicated of them, either with respect to their prosperity or the reverse. Taking facts, however, for our guides, they may perhaps stand in their order, as at 1st September 1841, as follows:—

CANALS—	First Advance.	Price.
Loughborough, . .	£142 17 0	£1600 0 0
Trent and Mersey, . .	50 0 0	540 0 0
Erewash, . .	100 0 0	750 0 0

CANALS—*continued.*

	First Advance.			Price.		
Leeds and Liverpool,	£100	0	0	£750	0	0
Oxford,	100	0	0	575	0	0
Mersey and Irwell,	100	0	0	550	0	0
Stafford and Worcester,	140	0	0	600	0	0
Coventry,	100	0	0	370	0	0
Cromford,	100	0	0	350	0	0
Neath,	100	0	0	300	0	0
Birmingham,	79	15	7	200	0	0
Warwick and Birmingham,	100	0	0	240	0	0
Shrewsbury,	125	0	0	280	0	0
Monmouthshire,	100	0	0	200	0	0
Melton-Mowbray,	100	0	0	200	0	0
Barnsley,	160	0	0	290	0	0
Forth and Clyde,	400	16	0	700	0	0
Warwick and Napton,	100	0	0	160	0	0
Grantham,	150	0	0	220	0	0
Grand Junction,	100	0	0	116	0	0

INSURANCE COMPANIES—

Atlas,	5	0	0	14	10	0
Imperial Fire,	50	0	0	132	0	0
Aberdeen,	2	0	0	5	0	0
Provident Life,	10	0	0	20	0	0
Caledonian,	10	0	0	20	0	0
Birmingham Fire,	55	0	0	107	10	0
North British,	10	0	0	17	0	0
Cler. Med. and Gen. Life,	2	10	0	4	5	0
Edinburgh Life,	10	0	0	14	10	0
Albion,	50	0	0	72	0	0
Kent Life,	50	0	0	66	0	0
Hercules (Scotch),	10	0	0	13	0	0

BANKS—

Old Aberdeen,	150	0	0	3225	0	0
Gloucestershire,	10	0	0	31	10	0
British Linen Co. (Scotch),	100	0	0	215	0	0
Birmingham,	10	0	0	20	0	0
Bank of England,	100	0	0	168	0	0
Commercial Bank of Scot.	100	0	0	165	0	0
Leeds and West Riding,	6	10	0	10	0	0

BANKS—*continued.*

	First Advance.			Price.		
Bank of Scotland, .	£ 100	0	0	£ 159	0	0
Royal Bank of Scotland, .	100	0	0	150	0	0
Aberdeen Town and County,	75	0	0	110	0	0
Liverpool Borough, .	10	0	0	14	0	0
National Bank of Scotland,	10	0	0	13	19	0

GAS COMPANIES—

Glasgow,	25	0	0	52	10	0
Maidstone,	50	0	0	100	0	0
City of London New, .	75	0	0	150	0	0
Edinburgh,	28	0	0	48	10	0
Paisley,	5	0	0	9	0	0
Liverpool New, . . .	100	0	0	176	0	0
Cheltenham,	50	0	0	85	0	0
Birming. and Staffordshire,	50	0	0	76	0	0
Bristol,	20	0	0	32	0	0

RAILWAYS—

Ballochney,	25	0	0	83	0	0
Stockton and Darlington,	101	0	0	265	0	0
Monkland and Kirkintilloch,	25	0	0	58	0	0
Grand Junction, . . .	100	0	0	201	0	0
Liverpool and Manchester,	100	0	0	199	0	0
London and Birmingham,	90	0	0	161	0	0
Hartlepool,	100	0	0	165	0	0
Glasgow and Garnkirk, .	25	0	0	38	0	0
York and North Midland,	50	0	0	77	0	0
Great Western, . . .	65	0	0	81	10	0

WATER COMPANIES—

Liverpool Harrington, .	200	0	0	480	0	0
Manchester and Salford,	30	0	0	54	0	0
East London,	100	0	0	164	10	0
Grand Junction, . . .	41	13	4	61	0	0
West Middlesex, . . .	63	12	9	90	0	0
Edinburgh,	25	0	0	34	5	0
Glasgow,	50	0	0	60	10	0
Paisley,	10	0	0	11	5	0
Vauxhall,	100	0	0	103	0	0

Docks—	First Advance.			Price.		
St Katherine's, . . .	£100	0	0	£93	0	0
Commercial (London), .	100	0	0	63	10	0
Liverpool Harrington, .	100	0	0	57	0	0
Bristol, . . .	147	9	0	75	0	0

BRIDGES—

Vauxhall, . . .	70	10	3	26	10	0
Hammersmith, . . .	100	0	0	21	0	0
Southwark, . . .	63	2	8	3	10	0
Waterloo, . . .	100	0	0	3	10	0

In the above list turnpike-roads have been omitted; because generally so regulated by law as to make the whole profit or advantage accrue to the public; that is, that when the debt on them is discharged or original cost compensated, the tolls shall cease or be lowered to the extent that they shall be sufficient only to keep them in repair. Were it not for this, there can be no doubt that many of these would have paid highly, they being founded on the principle of monopoly, as far as their rates or dues are secured or sanctioned by Act of Parliament, and can never be carried into effect or made without the aid and authority of such.

With regard to canals, although it appears there are upwards of twenty which pay excessively, it at the same time falls to be remarked that there are a great many failures among such undertakings, or a considerable number which pay ill. These we have not included in our list.

The success of insurance companies seems not a little remarkable, they deriving as little aid from monopoly as any business whatever; it being at the same time to be observed, that all or any business, as already said, may or does from this cause derive some less or more. At the same time, we would here remark generally, that the stock of such companies is a species, the value of which is perhaps as insecure as that of any.

Banks seem to derive a certain monopoly from place ; in as much as their business depends upon a nice scrutiny of character and the affairs of individuals, which cannot be prosecuted by persons at a distance. This, however, the measure of establishing branches, it must be confessed, does in a degree lessen ; for if resorted to by one, so can it by another. Still we are of opinion that the cause mentioned is not without its effect. The great success of the Old Aberdeen Bank, established in 1766, is so far an anomaly or exception as to seem scarcely credible, particularly when, in addition to the high price of its stock, we understand that it has paid high dividends all along, and given frequent bonuses.

Railways have not yet had time to come properly into play, and the ultimate extent of their success therefore remains a matter of conjecture.

Docks and toll-bridges make but a poor figure, more particularly the latter ; but it is to be remembered that Blackfriars Bridge paid the cost of its erection by a toll within fifteen years, and that one reason at least why the London bridges on which toll exists do not pay, is, that the greater number are now toll free.

SECTION III.

SPECULATION IN GROUND IN A FAVOURED LOCALITY.

It is to be observed in the first place, that all land is a commodity of limited and fixed extent, with reference as well to locality as population, and, as already said, bearing a monopoly price ;—which cannot be increased with the demand for it, and therefore, taken by itself, a fit subject for speculation generally. For a fuller and more detailed view of this point, we refer to Section 8. Branch II, understanding

that it is always to be taken under the modification, so far as it goes, of the inferior principle contained in that Branch.

As to the subject of our present Section, being a more restricted and extreme case, speculation in it, as likely to be more immediately gainful, will always be more striking ; and therefore may not be deemed improperly admitted a place by itself. It may be specified generally as that in the midst or vicinity of a prosperous community or extending city.

Instances of the kind are numerous every where. Grant Thorburn boasts much of the gain he made by the purchase of the Friends' Meeting House, New York.—We give the following, although many better no doubt may be found.—“ Nothing,” says the publication from which we copy our account, “ more strongly illustrates the rising importance of the trade of Dundee than the great and rapidly increasing value of ground fit for manufacturing purposes. Of this what was Bailie Pidding's building-yard, which for some time has belonged to Mr James Scott, affords an extraordinary confirmation. When Mr Scott acquired that property a few years ago, he paid £3000 for it. He lately sold it for a yearly ground-rent of £410, the purchasers engaging at the same time to perform work on his account upon it equal to £200 more—thus making the net value £420 per annum, (nearly equal to 15 per cent. for his money.) In this instance there was no public competition, otherwise even a higher price might have been obtained ; and from the great supply of water on the ground, which adapts it for steam-power, the general belief is that the purchasers have obtained an excellent bargain.”

We may add, that about a month ago twenty-three Scots acres at Glasgow were sold to Colin M'Naughton, Esq. for £30,000.

SECTION IV.

COMPARATIVE ADVANTAGES AND DISADVANTAGES BETWEEN
SPECULATION IN THINGS THE PRODUCE OF THE SEASONS
AND OTHERS.

Certain distinctions are perhaps to be drawn between speculations in the two classes of things, that is in those the produce of the seasons, and in those composing or comprised in the present class, with reference to the comparative advantages afforded by each. In the first place, it will be observed, the seasons are regular, continued, and periodical; not only actively periodical, as bringing forth their proper fruits at the proper time; but also prohibitory or negatively so, as obliging us to wait till that time come round. They therefore not only seem to afford the more frequent opportunities for speculation, but also means or data the more exact. Thus, with regard to their positive effect, we have already shewn a good opportunity for speculation to exist every year in the difference of price between the time when the crop first comes to market and that when it is nearly exhausted. Or, to take the wider scale of years, a great crop, as well as a bad, may be expected to happen once every six years or less—both extremes of price, the low and the high, coming round every so long with a fixed regularity; and in fact not any two crops are the same. This is a thing to be verified, or of the truth of which any one may judge for himself, by running down our table No. 2 from top to bottom for the month of November, when the new crop is supposed to come in each year. Moreover, the plenty or scarcity of any one article the produce of the seasons, does not imply the necessity of the plenty or scarcity of all, and may even happen by or through the operation of another and collate-

ral cause separate from the difference of seasons, as we have already shewn. Now, a person can expect to have an opportunity of speculating in the funds, that is on a large scale, only once in his life time. With regard, again, to the negative or prohibitory effect spoken of, while it is apparent that a company almost for any purpose can at any time be set up to rival an old—there is no anticipating nature—can be no forcing of the seasons.

Secondly, part of this superiority must rest upon the nature of the things which the seasons produce—upon food being the great want of man, (which is to be obtained only through their agency,) and the steady demand thereby insured for it; while of most other things, some are luxuries which may be dispensed with, some, such as contrivances for facilitating carriages or the transit of goods, mere accessaries, which may or may not be wanted; and therefore any returns founded on these cannot be calculated on with the same probability or degree of certainty. There are many other raw materials besides grain, such as wool, cotton, flax, &c., alike dependent on the seasons, which, as having been long in use, as ministering to the common necessities or general wants of mankind, come under a similar description, and are always to be reckoned on as steady in demand or saleable.

On the other hand, it must be admitted that there are other stocks besides the public funds, viz. those of joint-stock companies, in which a person may advantageously speculate, and which afford more frequent opportunities for so doing; for if one do not at a particular time another may; although such opportunities are perhaps nevertheless upon the whole rare, as compared with those more frequent afforded by things the produce of the seasons—as they in turn are compared with the steady and regular demands of trade. The stocks of such companies, properly founded, also, are not without their peculiar advantages. Thus, in the first place, there is here no deterioration of the article or subject-matter of speculation, and so do not require us to enter into, or have

not the effect of involving us in trade, for the sake of changing stock or to escape a loss by storing, as speculation in things the produce of the seasons, well conducted, as already said, may at least do. Secondly, we have here commonly the benefits of trade without the trouble—the management being almost always conducted by directors, paid, (that is partly in money, partly by the honour,) for their trouble, and requiring no personal superintendence from the shareholders; whose investment strictly resembles money laid out at interest, affording a constant revenue—while stock in things the produce of the seasons may be and most commonly is dormant and unproductive—if not also for a time attended with a certain expense and waste.

On the whole, however, we would say—if not the larger, the more frequent large sums seem to be made by speculating in articles of commerce the produce of the seasons; the frequent opportunities for which, or sudden changes in the value of such articles, overbalancing the disadvantage of their perishable nature, and remaining for a time a dormant or unproductive stock; yet as obviously demanding, besides trouble and care, a certain mercantile skill or knowledge, best adapted to traders and dealers in each separate article or particular commodity, or at least those who make speculation in such things a distinct business—while investments in the present class, if less gainful, are more within the reach or suitable to the general capitalist, or whose habits are not so much of an active or business nature.

SECTION V.

HIGH PRICES—AS COMPARED WITH THOSE OF CLASS I.

In the preceding Section, we have enumerated certain comparative advantages and disadvantages between things composing Class I. and Class II. of Speculation. But there still remains one distinction between the two, which we have reserved for the subject of a Section by itself, on account of what we deem its importance, and which falls now to be discussed.

It is this—that the same objection does not apply to *high price* here as in the former case. As already stated, capital may be so accumulated by a company as to constitute a value or furnish a revenue from a basis which cannot be shaken. Or a company may, by industry, locality, or even monopoly, have acquired a business, which, as available to the same purpose, may properly bear a market-price. Of such we have many examples already mentioned—the Old Aberdeen Bank, the Bank of Scotland, the Manchester Railway, most comprising one or other, and some all of the advantages enumerated. But this is not the whole;—such establishments or concerns may fairly be deemed *progressive in value*, as improvable by time, carrying them forward in prosperity.

Now a bushel of grain or a yard of cloth has, properly considered, *no progressive value*; is fixed and unalterable in its nature; and can be affected only by an alteration in other things, which may be either for or against according to circumstances. On the contrary, in the present case, where the question is high price, time, which adds to the value of things belonging to the present class, acts directly against any excessive value in manufactures, and, however it

may in the first instance or in some cases raise the price of things the produce of the seasons, is certain ultimately to act against their value too—simply by reducing their scarcity.

It is true, a particular business or establishment is at all times liable to be affected by competition, which any extraordinary prosperity is sure to start, but still at a disadvantage with an established concern; new inventions, improvements, and change of fashion may operate to the same effect. But the accumulated value as here understood, locality and monopoly, with their progressive effects, remain intact, and so far do we trace a distinction between *high prices* in the one class and in the other, and a danger in the first which does not exist, at least to the same extent, in the second.

There is indeed one particular or marked exception, that is Bank of England stock;—having, after a long period of advance, to a certain extent retrograded—declined from 294½, which was the price it was at in December 1817, and the highest it ever reached, to 168, its present price. For this there are several peculiar causes;—first, the cessation of the war profits, and the general fall of interest, so far affecting the rate of discount;—secondly, the return to cash payments in consequence of Peel's bill, (1819,) obliging the Bank constantly to keep a large amount of bullion in its coffers, unproductive or at a prodigious expense; the result being, that, (20th March 1823,) the Bank reduced its dividend from 10 to 8 per cent., occasioning a fall in its stock from 236 to 215;—thirdly, the new bargain which the Bank made with Government in 1833, on the renewal of its charter, by which the Bank agreed to deduct £120,000 from its annual charge for managing the public debt;—and lastly, the general establishment of joint-stock banks in England, by which its monopoly has to an extent been destroyed, and its profits farther curtailed. Moreover, it is obvious, the public have not full confidence in its present

dividend of 7 per cent. being maintained, as appears from its stock bearing a lower price in the market, proportionally to the dividend paid, than any other public stock. The decline of Bank of England stock, however, only proves this, that nothing, the work of man, is beyond the reach of fate, absolutely certain and infallible, and the contrary of which we never meant to assert. We may add, that a fall has at the present moment taken place in the price of the stocks of nearly all joint-stock companies, arising out of the state of trade and the money-market, but which we believe to be but temporary, and which will soon pass off; and which may after all be no fall, as while they have fallen in price money has risen in value.

On the other hand, we have a remarkable example of improved value in a property of a similar nature. In 1823, the value of the original £150 stock of the Old Aberdeen Bank was about £1500. At that time it would have been thought madness to purchase at that price with an idea of farther improvement, yet within fourteen years has it again doubled its value, being now worth upwards of £3000; which puts in a striking point of view the essential difference between the nature of the two species of property compared in this Section. And this value is a money value, which we look upon as permanent and stable.

Therefore the conclusion seems to be, that however high a property of this nature has risen in value, that is no evidence that it may not rise higher; but the reverse.

SECTION VI.

GAMBLING IN STOCKS.

We have said, when a person purchases any commodity at the market-price, however low that price may be, it cannot properly be called cheap, because it is worth no more; and, on the contrary, when he sells at the market-price, however high, it cannot be called dear, because it is worth what is given for it. In either case, the fact merely shews that an alteration has taken place in the value of the commodity; when it is low that it is plentiful, when it is high that it is scarce, and the most abstract philosophy, as well as common sense, agree in this, that things cannot be of the same value when they are plentiful as when they are scarce.

When, therefore, a person has realized a gain by a successful speculation, he has no advantage over the person to whom he sells, as that person is no loser by the purchase; the one giving and the other receiving exact value in exchange. So much for natural productions. It also often happens, that when a person buys the stock of a company, it may yield to him only 4 per cent.; but by the time he sells it, the business may have been so improved by care and management or the accumulation of capital or both, that it yields 8 per cent. A person, therefore, can now be no loser by giving double what was originally paid for it, that is supposing always the market rate of interest to be 4 per cent.

Now, with regard to what are called time bargains in the funds, when a person engages to deliver a certain quantity of stock at a future day at a fixed price, but nothing is really exchanged or meant to be exchanged between the parties, the one merely paying to the other or receiving from him the difference between the price at the time the sale took place,

or whatever it may then have been fixed at, and when the stock should be delivered or settling day arrives, according as it rises or falls or the case may be—this is branded with the name of gambling; because the one seems to lose exactly what the other gains, and there is no real investment or intention of doing business between the parties farther than the difference is concerned. And gambling it certainly is; but it will be observed that the same result would have followed though a real investment in stock had been made—and nothing more. Again, it is the same thing to pay the difference as to furnish the stock; because, supposing the stock to have risen, if the person who has to receive has in his possession the price when the agreement was made with the difference added, he can always purchase the stock; or supposing the stock to have fallen, he can always purchase by so much less than the difference, which he of consequence falls then to pay. Therefore does the difference comprehend every thing.

The only evil which seems to attend the case, is that a person is tied to time in finishing the transaction; that if stocks are low he cannot wait till they rise, if they are high, till they fall, according as his object may be; and this certainly appears a disadvantage which a capitalist and real holder does not labour under, and so far he resembles the trader without capital. But it will be observed, that the real time when the business is actually done, is not here, but when the bargain is originally struck. It is the original agreement always, (as in cases of trade or speculation,) which fixes the future gain or loss; here solely that a person is made or unmade by his sagacity or the want of it. Therefore, when the period for a settlement arrives, if he conceives himself well founded, his remedy in adverse circumstances is, if practicable, a new bargain or prolongation of the time on the same terms; or, (as often takes place in practice,) paying a premium, which is the loss at the particular moment, to let the account stand over. In this way,

he may get back all he has lost with an addition; that is, the stock may fall further than it has now risen, or *vice versa*.

The prudence of such transactions is one thing;—the morality another. With regard to the latter, indeed, we can see nothing in them different from what takes place in all speculation, which, so far as it goes upon the difference of price between one time and another, futurity and contingency, may equally come under the denomination of gambling; and in point of fact, there are bargains for commodities which proceed upon the stipulation of delivery at a future period or the payment of a difference in lieu of it. Thus, a person, we shall suppose, is in the course of making up a cargo of barley, but wants 50 quarters to fill up the vessel. These he borrows from a neighbour on condition of replacing at the end of three months, or paying him for the same quantity at the price it shall then bear, while barley in the interval may have risen or fallen; and in this condition a person must always be held to be who has to deliver stock. He must always be supposed to have received at the price he bargains to deliver at, although he never seems to hold or to wish to hold any. Therefore in such cases, so far as justice or fairness is concerned, all that seems required is that a person shall have the means of paying differences when against him.

If, indeed, there be a distinction to be drawn between such gambling and speculation, it is this, that a useful purpose is aimed at or involved in, real services performed by speculation—a character which cannot be denied to laying up a store in time of plenty for a time of scarcity;—no useful purpose aimed at, no service performed by gambling, the sole end and object of which terminates with the act itself, and what one party gains another as decidedly loses.

It likewise falls to be remarked, that there is such a thing as fair gambling and unfair gambling; and we must say that the nature of all gambling, properly so called, is that it leads to misrepresentation, deceit, and unfairness; is for the most

part dishonourable in its means, as it is ruinous in its consequences. There can, however, perhaps be as little of this in time bargains in the funds as in any case whatever. A more reprehensible species of gambling will be found mentioned in the succeeding Section.

SECTION VII.

BUBBLE COMPANIES.

The gambling referred to in the end of last Section, is of that kind of which we have heard so much of late, and which never fails to be prevalent in times of excitement and overtrading—in *bubble companies*—mining, rail-road schemes, &c., coming indeed strictly under the denomination of speculation, the gain being to be secured, at least by the description of persons to whom we allude, solely through an alteration or advance of price.

Many of these proposed undertakings held out to the public are never intended to be carried into execution, at least by the original projectors; the sole object with whom being merely to get the shares up to a premium, when they sell out before a call or a heavy call is made, and allow them to be carried forward by the shareholders how and when they may.

This proceeds upon the principle of deception; but there are certain distinctions to be made even here;—*1st*, it will be observed, that almost the sole scope for puffing, delusion, and gambling is when the company is in *posse*, and almost ceases when it comes to be in *esse*, and serious measures are required;—*2dly*, that even wise and proper schemes may in the beginning be infested with such speculators or gamblers;—*3dly*, that we should endeavour to distinguish between the

real and the false here as elsewhere, and not allow the originating of bubble companies to throw discredit upon those which are called for, real, honest, and judicious ;—and, *lastly*, that there have been companies of the nature alluded to established from the sole motive of providing for an individual as manager, or for the sake of the law business attending their establishment, or even others less worthy, which have nevertheless ultimately prospered, and continue at this hour to stand high in public estimation, and of which we could name more than one.

One mode indeed resorted to for defeating the gambling we have described, is to allow no transfers of stock till twelve months after the company has been constituted ; which forms a certain guarantee for a real advance of money and engagement in it.

SECTION VIII.

GAMBLING—A PRINCIPLE IN.

There is a principle in gambling on which a person seems sure to gain any sum he chooses—provided he can get another to play with him to any extent and as long as he wishes, and is himself allowed to stop whenever he thinks proper—and there is any faith to be put in calculation.

It consists simply in doubling the preceding stake every time he loses. Thus, suppose a person to go into a gambling-house with the intention of pocketing £5—he stakes £5. If he gains, the business is finished, and he walks out with the money in his pocket ; but we shall suppose he loses. He now stakes £10. If he gains, he is £5 in pocket ; but we shall suppose he again loses. He is now a loser to the extent of £15 ; but again doubles his last stake, and plays

for £20. If he is again a loser, his next stake must be £40; and so on till he gains, which must undoubtedly happen some time. And be it observed, that however high the stake amounts to, the result is in this manner always the same. He has, when he gains, his original stake of £5 over, and no more.

It must not be supposed, however, that a person is on this principle confined to playing only once in an evening; but after he has gained, may begin a new progression on any scale he chooses, or even in the middle of his play change it for a higher.

The progression, indeed, it will be remarked, if a person is for a period unsuccessful, soon rises to a fearful amount; by the time he has lost nine times in succession, if such can be supposed, should the root with which he commenced be only £5—making the sum lost no less than £2555. Yet if our principle be correct, and the terms on which we propose the play to proceed granted, no extra stock of cash, in fact not one farthing, is necessary; *courage*, and that to face not a real but an apparent or seeming danger, being all that is required—that is, if a settlement is not demanded after each venture; for supposing a person to be successful the tenth time, his gain is . . . £2560 0 0
From which deduct his previous loss, . . . 2555 0 0

And there remains in his favour a net balance of £5 0 0—the result originally proposed.

The danger here will be an antagonist refusing to proceed, if no bargain is made with him; but the principle may perhaps be carried through at a *Rouge et Noir* table, by successively repeating the first punt or event only; but in this case a considerable supply of cash may be necessary.

SECTION IX.

SMUGGLING.

This is a matter which goes a step farther than mere gambling; but is viewed here simply as an affair of debtor and creditor, so far as any thing is to be gained or lost by it, as it is prudent or imprudent, and no farther.

The high duty on many articles forms a temptation to or becomes a premium for smuggling, which is a *fraud* against the public or the revenue. But to speculate in fraud, (of which indeed smuggling is merely a branch,) as in the sister calling of *theft*, has always been, and it is to be feared will continue to be prevalent among mankind, who balance the risks of detection and punishment with the chances of escape and gain.

While, however, we discuss the subject merely as a mode of speculation, we are compelled to say this much for honesty and morality, and the one thing is so far connected with the other, that, although we have known many of the profession, we never knew one who made himself rich by it. Besides the heavy punishment which follows on detection, expressly intended to operate as a discouragement, smugglers, being without the pale of the law, are plundered by every one. Add to this the state of disquiet in which they are constantly kept, so unfavourable to the proper conducting of business, and we cannot wonder at the result. Smuggling has therefore as little to recommend it as a speculation as it has in point of morality; is properly committed to the reckless and worthless, and those who have nothing to lose; and no man of property, unless infatuated, would make himself a slave to his servants by such a secret, or subject them to the temptation of treachery, to which sooner or later one

or other of them, in a case of this nature, is certain to yield.

It is, however, a matter worthy of the inquiry of the statesman, at what amount of duty smuggling commences, at what amount ceases.

BRANCH II.

SECTION I.

THE NATURE OF THIS BRANCH.

We have stated what we conceive to be the nature of Branch I. of Speculation, and the rules applicable to it. We now come to Branch II., which is founded on the principle contained in the two following Sections—that is, the relation between money and property generally considered, or in the most enlarged point of view.

SECTION II.

A NEW ERA.—ERA I. THE DEPRECIATION OF MONEY, OR SPECULATION IN PROPERTY.

What is meant by *a new era*, is that from which we are to date a permanent or continued rise or fall of prices. In either of such cases, if we mean to speculate, (and a tradesman or trader, in a certain sense, should always speculate,

that is, if he do not go into business at the proper time, he should at least endeavour to come out of it,)—it must be in money against property, or in property against money.

We have warned our readers not to confound the fall or rise of money with the rise or fall of the price of a particular commodity. In the first case, all commodities rise or fall; in the second, it may be only one. It is true, the difference in the value of money must at every period be going on in a progress either upwards or downwards, less or more. This is what never stands still; for, although we must avoid rendering our subject more complicated, the greater or less production of or demand for commodities would not fail, by itself, to be attended with such consequence or effect—supposing money to remain fixed or stationary, that is, the same in quantity. All we mean therefore is, that although the amount of this progress, as already taken place or likely to take place, cannot entirely be set aside or overlooked, in ascertaining whether any commodity at a particular time is above or below the average price, it is not the principle to be relied upon, or which should govern us in such case. That principle is not the plenty or scarcity of money, or of commodities generally as compared with money, but the plenty or scarcity of a particular commodity at one time as compared with its plenty or scarcity at another; still ascertained, we admit, by price; price as relative to one commodity, not all.

The branch of our subject now under consideration, however, regards entirely the progressive rise or fall of the value of money in a general point of view, or as set off against all commodities. Money we have formerly described as merely the instrument of commerce, or the counters which aid the operations of barter. It is now, however, to be regarded as itself a commodity bearing a relative value to all other commodities. All therefore we require to guide us here, is to ascertain whether the progress in the value is upwards or downwards, and likely to continue, or, in other words, an

era has arisen to date from ; which, we conceive, will be best illustrated by or understood from facts which have already taken place.

Thus, at the beginning of the late war with France, in 1793, commenced the vast expenditure which went on to the end of that war. Not only were heavy taxes imposed, but enormous loans resorted to ; all of which were spent within the year. This again occasioned a great increase of the circulating medium, chiefly composed of issues of paper from the Bank—in order to meet the increased demands of business, and represent the various interests created. Accordingly, all articles now rose in price, in consequence of the double operation of causes, the depreciation of money, and the increased demand for commodities and labour. In this way, next year all articles being again raised in price, (independently of the necessity of providing for the interest of the debt already incurred,) higher taxes, greater loans, and additional issues of bank paper, became necessary ; and this went on year by year at the accelerated speed of a compound progression. At length, (the circulation being now redundant,) came the Bank exemption, in truth a suspension of payments, in Government language, (who generally prefer calling things by the opposite names which they really ought to bear,) Restriction, which threw the whole into an artificial system of paper, forced, depreciated, and depreciating, the progress of which, supported for the time, according to the well known law that taxes enable to pay taxes, by its own unreal or hollow nature, no man could foresee the extent or the termination, it in truth having gone far beyond and disappointed the predictions of the wisest ;—till at last it expired in the cessation of the war.

During all this time, if a person had a sum of money laid out at interest or kept his property in money, it suffered a regular and continued depreciation, till at last at or immediately *before the end* of the war, (for it is important to mark this precise period,) it may be estimated to have fallen

one-half in value ; that is, it now required £90 to purchase the same amount of property or goods which formerly did £60. It was the same with the revenue derived from it. Thus, suppose a person at the beginning of the war to derive £60 from money invested in the funds, by the end of the war, that £60 would purchase only as much of goods as £40 did originally. In the one view of the case, this is a depreciation of one-half, in the other of one-third, according as we refer to different data ; one-half when a half is added to the original sum, one-third when it is deducted from the depreciated. But as 60 is to 90, so it will be found is 40 to 60. This we believe to be near about the fact, or amount of the depreciation then sustained by money. The consequence was, that, during this period of continued and progressive depreciation in the value of money, the only way in which a person could keep himself safe was to convert his money into fixed property or goods ; in the latter case, of course becoming trader. And even by this expedient, he did no more than keep himself safe ; for as one species of property rose in price or nominal value, every other rose along with it, and he found himself on the same level with other things or other persons, but nothing more.

To what is here stated, there was indeed one exception, that is the class of farmer, who, during all this period, was highly favoured. His rent remained fixed at its nominal value, while the value of his produce was perpetually augmenting. Every year he found himself better, and his gain was at the expense of his landlord, who could not help himself so long as the lease subsisted.

During the same period, a person engaged in business or trade " could do nothing wrong." If a farmer took a farm at a high rent, in the progress of things it soon became a low ; if a merchant this year bought a quantity of goods for £1200, next year they would be worth £1500. This then was the time for the country to proceed in the career of activity and exertion, the flood of prosperity ; and there

can be no doubt that capital was augmented during the war, from the impetus which a rise of prices is always sure to give. Nay, it can hardly be said, that the effects of this great event on the country, although for a time suspended or interrupted, or shewing themselves under a new aspect, have yet ceased—having left indelible marks behind it, and apparently changed the character of the nation.

It is farther to be remarked that *profits*, properly so called or understood, were at this time great, in consequence of the demand for labour and the productions of labour. The effect of great profits, too, was the absence of all competition. No man interfered with or disturbed another in his pursuits, when he was successful and enjoyed all he could desire in his own. Add to this, the effect of monopoly which the war gave, which it is important to remark, confining our supply and demand almost entirely to ourselves, (that is allowing us to reap all the advantages of an expenditure which in a great measure anticipated the resources of and fell to be entailed upon posterity,)—and the system is complete.

We have said, that, with the exception of the farmer, a person by keeping his capital or stock in fixed subject or commodities during this progressive depreciation in money and rise in prices, only kept himself safe; but the great profits which were obtained during the same period, it is evident are to be considered as clear gain, or at least that the excess of profit is to be so considered.—And, in fact, how to realize or turn, or have realized or turned, the whole advance of price or augmentation in the value of property described into clear, real, or substantial gain, will appear or be shewn in the succeeding Section.

SECTION III.

ERA II. THE DEPRECIATION OF PROPERTY OR SPECULATION
IN MONEY.

No sooner, however, does the war cease than the tide is turned, and the state of things described in the preceding Section reversed. Taxes are now begun to be taken off; there are no more loans; and commodities are poured in from all quarters of the globe. While also the supply is greater, the demand has become less. There are now, it may be said, no armies or navies to victual or clothe; to supply with the munitions of war;—no occasion to provide for the waste that accompanies it;—no demand for men, for labour in those businesses which depend upon or are connected with war, the ramifications of which extended over and pervaded the whole of society;—all is on the peace establishment, and a universal flatness or stagnation immediately takes place or prevails. The consequence is a decline in price or the value of commodities, and a rise in the value of money; a less extensive currency serves; and, to crown the whole, comes the removal of the Bank restriction, and a return to cash payments. And it is clear that this depreciation of commodities or fall of prices, must be progressive and continue so long as taxes continue to be taken off.

The farmer is now no longer one of a favoured class; his rent remains fixed in nominal value, but increasing in real; while the value of his produce is perpetually diminishing. It is now his landlord's turn to gain at his expense, so long as he has capital or the means of paying; but it will be observed that the landlord has not the same security for the fulfilment of an unfavourable obligation from the tenant as the tenant had from him, and often receives but his own

again in a worse condition—a farm miscropped, exhausted, and out of order.

It follows that, at the end of the war, prudence and wisdom call for an opposite conduct to that recommended to be pursued at the beginning. A person must now convert his capital into money; and the whole amount of the depreciation in property or goods, or fall of prices, from the time he does so to the termination of that depreciation, the point where it finally stops, is evidently clear gain; as the rise of prices was to the person who kept his capital in money during that rise, clear loss. This is the way to fix value, as it is to realize gain, the foundation of which has been laid as described in the preceding Section, but which it will be observed was only a foundation, except so far as extra profits or payment for labour are concerned. This gain is, however, always to be understood with the abatement of that depreciation which all capital, (money along with the rest,) sustains in consequence of its accumulation and abundance, as compared with the demand for it or means of its profitable employ, its plenty alone, as in the case of all other commodities, being sufficient to diminish its value. Add to this, the cessation of the war demand;—causes which explain the low rate of interest for money, and of profits on trade. Yet although the revenue on capital thus may fall, that accumulated capital which consists of money itself still retains the advantage of maintaining its exchangeable value while that of every thing else is in a state of decline, nay increases in value along with and to the extent of that decline. Thus, although a person may get less interest on a pound sterling than formerly, that pound will itself buy, we shall say, a third more of goods. Admitting, also, that the revenue from money or any given quantity of money, may here in the first instance fall, it will be observed at the same time, that that revenue, while it is probably derived from an increased amount of capital, bears a higher relative value to all commodities than it did at a certain previous period. After all

the fall has perhaps been only to bring us back to or a little beyond the former standard ; money having been to be got in loan before the war at 4 per cent. interest, and is to be got at very little less now ; and when capital has found and adjusted itself to new channels, there may then appear to be no fall at all below its value at the period referred to, viz. some time previous to 1793.

It must also be remarked with regard to *the funds*, (now a great property in this country,) that it would have been too late to exchange fixed property for them, or to buy into them as a profitable speculation *after* the termination of the war, or at least the gain could never have been so great as if the investment had been made previous to that event ;—affording at the same time a confirmation of the maxim we have endeavoured to inculcate in Section 15 of Branch I., as to goods—that we must not wait for the verification of the lowest price by a rise. They, the funds, are affected by a separate and peculiar principle, a principle different from the relation between money and property, (although such operates with respect to them as it does to all other fixed sums)—that is the stability or sufficiency of the government. Speculation in them, therefore, would have been most successful at a time when that stability was at a discount—bordering the nearest upon circumstances of an opposite kind, and which might be expected to have an opposite effect ; and to shew the true nature of such speculations, we may mention an idea which suggested itself to us on this very point, since verified by the event. Thus, when Bonaparte was going north to fight the Russians, our funds fell very much. It then occurred to us—now is the time to buy in ; for if Bonaparte beat the Russians, there must be a peace between him and them at least, or if the Russians beat Bonaparte, there must be a peace to the same extent too ;—in either case likely to lead to that which was general—the former alternative, or the anticipation of it, however simply, as the fact stood, by itself, being sufficient for all the pur-

poses of founding speculation—as shewn by the circumstance of the funds falling when Bonaparte merely commenced his march north—they being at the lowest, (consols 55½ July 1812,) when the news arrived of his having passed through Dresden, and reached the confines of the Russian territory, with the finest and best appointed army Europe ever saw—as he was then at the zenith of his glory; a height from which he ever after continued to decline. Being at that time young and regardless of money, we did not avail ourselves of the opportunity which here offered. But the event turned out as foreseen, and a greater gain might have been made in a shorter time than generally happens in such cases;—by the February of the ensuing year, when Bonaparte's return to Paris and the disasters of the French army had been ascertained, consols having risen to 72½. The inference we draw is, that the true speculation or chance of gain, is to purchase when appearances and the opinion of the world are against the subject purchased; but which a person can satisfy himself, from general reasoning, is but under a cloud from which it will ultimately emerge. This is a subject indeed which has already been touched on, and is in fact buying cheap;—distinct, however, it must be acknowledged, from the main scope of our present Section.

At the same time, it is necessary to caution a person that he is to distinguish between cheapness and low price, here as elsewhere; that which is cheap and that which is worth nothing. For instance, there are joint-stock companies or copartnery concerns, such as was the Australian Company of * * * * *, the low price of whose stock did not indicate that it was cheap, but that the concern was going to ruin. By buying into these, a person may often lose more than one hundred per cent.; that is, in addition to the loss of the whole advance or sum paid for stock, he may render himself answerable for all the debts of the company, without there being any funds to meet them. The stock of such is therefore not only worth nothing, but worse than nothing;

and a person instead of giving any thing for it, would require to receive a high premium before he were safe to accept of it.

It is, however, possible to do well with even a bad stock, if not absolutely bad, such as above described. Thus, we know a company, the par price of whose stock was £100, but which fell as low as £70, while at the same time, they continued to pay 5 per cent. on the original advance. Some persons bought at this price, and continued to receive the high dividend for several years, when the stock rose to £80, and although still below par, thus formed a good investment for them, as, besides the extra interest they had received and were in the course of receiving in the shape of dividends, affording them the opportunity of selling at a considerable advance of price.

Nay, a person may do well with a stock absolutely bad, (not however without risk,) if it has a certain repute, that is, if he can sell out at a higher price than that at which he has bought in before its proper nature is known, which is then so far of no consequence, although if it be known to him at the time of sale, there may then be a doubt as to the legality of the transaction. We can, however, conceive dealings in many such to go on where a person neither knows his danger, nor suffers loss, but, on the contrary, escapes all hazards with a clear gain, as well as a safe conscience.

With regard to the funds, abstracted from all considerations of contingency, and of the stability of government, (causes indeed which will afterwards be shewn to have less influence on them than is generally imagined,) and viewing them with relation merely to the period from which we are to date a new era, or the depreciation or rise in the value of money or property—the very best time indeed to have bought into them, was just before the termination of the war, or as the French express it, *le commencement de la fin*, for then we should have combined two principles—the

taking advantage first of the depreciation of money—secondly, of the depreciation of property ; or, in other words, taking advantage, first of the rise of the value of property up to the period of our purchase of stock, which is taken for granted as its limit—secondly, in the value of money, commencing from that limit at present going on, so long as it shall continue or up to its limit or termination.

Now, this period might still have been extended as far as November 1813, when the news of Bonaparte's defeat at Leipsic, (18th October 1813,) reached this country, and which conveyed, to thinking men at least, a pretty sure prognostic of his downfall, consols being during that month, (November,) still to be obtained at 60—the average for the month being $58-61\frac{1}{4}$. By February next year, as already noticed, they were as high as $72\frac{1}{2}$, a price, however, from which they continued to fall during the year, till, in February 1815, they reached $64\frac{1}{4}-65\frac{3}{8}$ —when Bonaparte having entered Paris, (20th March 1815,) on his return from Elba, notwithstanding the subsequent victory of Waterloo, (18th June 1815,) they fell as low in the August of the same year as $55\frac{5}{8}-57\frac{1}{2}$ —nor did they rise much above par during the remainder of that year, and the whole of 1816, (varying from 61 to 63,) till the end of 1817 and beginning of 1818, when they rose to 78, 79, 80—the proper time for speculation on the first view of the case, as well as for a good investment of money in them on the second, being as we conceive now past.

The juxtaposition here or close occurrence of opposite events, or apparent triumph of our enemy with his unexpected and immediate or sudden downfall, enables us to contrast their effect upon the funds ; and from the account given it will appear—holding the use of money during the war to be worth 5 per cent., which, if we consider the extraordinary profits then derived from trade, it undoubtedly was, and consequently the par price of consols 60—that during the gloomy crisis referred to they did not fall below $55\frac{1}{2}$, nor on

the successful termination of the war rise above par—even for more than a year after higher than 61 and 62—the amount therefore to which they were affected during the period, eventful as it was, did not exceed 10 per cent. upon £ 60;—that is, we cannot say, taking both together, they were here depressed more than 5 per cent. by the most adverse appearances, nor raised more than 5 per cent. by final and complete success. The greatest depreciation which they sustained during the whole course of the war from its commencement to its close, was in January 1798, just after the mutiny at the Nore, when they fell as low as $47\frac{1}{4}$ —or holding the par price as above, $21\frac{1}{4}$ per cent. under, which for the extreme cannot yet be considered very remarkable. The stability of the government, it would hence appear, had by no means a very great influence upon them, and their subsequent rise after 1816, in the December of which year, (a full year and a half after the battle of Waterloo,) they had only reached 63, is to be looked for in other causes. These causes must be the difficulty of employing the immense capital formerly engaged in the business of the war, and its consequent diminished value when let loose, as shewn by the fall of interest generally;—which has raised consols till they have now reached 90, about which price they have long remained, and which seems to indicate the value at which capital has at last for a time settled down.

From the above statement it will also appear that there was ample time, more indeed than could reasonably have been looked for, for the double operation of converting fixed property or goods into money when at a high value, and making investments in the funds at a low price—in fact opportunity twice repeated, (although the return of Bonaparte from Elba, with its effect of a second time lowering the funds, was an event altogether unforeseen and not to be calculated on,)—which can only be accounted for from the slowness with which the public apprehend an advantage which presents itself in a new form, and their aversion to change.

The amount of this double operation, or consequence of the depreciation of money and property united, falls now to be considered; but to this purpose we shall devote a Section by itself.

SECTION IV.

RESULT OF BOTH ERAS—OR AMOUNT OF THE DEPRECIATION OF MONEY AND PROPERTY UNITED.

We may here state, that it is exceedingly difficult, nay perhaps impossible, to attain accurately the amount of either the general rise or fall of prices; for this reason, that no one thing can be made the criterion of all others—scarcely one being to be found in the same state or circumstances at one period as at another, or if it be—in the same circumstances as any one other thing; and it is impossible to go over the whole. For instance, one thing is rendered cheap by improvement in the process of manufacturing it, such as cotton cloth, a yard of which, which formerly cost 2s., may now be purchased for 6d. This, therefore, is an exception. Again, one thing is affected by the seasons, and Greenland whale-oil, which one year costs 2s. 6d. per gallon, may the next year be had for 1s. 6d., in consequence of a better fishing, and *vice versa*. From one thing, the whole tax is taken off, such as tallow candles, or, to produce a still more striking instance, salt—while on another the high duty is retained, such as tea, and if the high duty be here retained the East India Company's monopoly is abolished, which by itself is sufficient to produce a reduction. Of one thing a free importation is allowed, such as wool, (at least for the period referred to, no duty having been imposed till June 1819,) while another, such as French brandy, is all but prohibited. Even agricultural produce is but a variable criterion, on ac-

count of the difference of seasons—supposing no such thing as a Corn Bill, which however there unfortunately is, and that passed so late as 1815; and as average is not to be admitted where the question is progressive rise or fall, or high and low price, we cannot resort to it here. If, indeed, there is any one thing which has remained always in the same circumstances or nearly so, being unaffected either by high or low duties, as having for the period referred to been subject to none, neither tax, monopoly, nor prohibition, nothing in the shape of impost laid on or taken off—it is wool; and, therefore, may the difference of price between woollen-cloth now and formerly, so far as it goes, be held a fair instance of the effect of the issue of paper-money or general depreciation of the currency; but at the same time it will be remembered that the article is but a single one among a multitude, and stands alone.

Such is the difficulty of finding a proper criterion here; but so far as a person can compare prices, or take a general view of circumstances—we would estimate the fall of price since the end of the war up to the present period at one third. This, indeed, the fall on the price of woollen cloths corroborates. Cloths which formerly cost 32s. per yard may now be purchased for 21s.; those which cost 28s. for 18s. We find the same fall on the price of sugar and tea. Raw sugar, which formerly cost 1s. or 11d. per lb., may now be purchased, or at least lately might have been, for 8d. or $7\frac{1}{2}$ d.; tea, which cost 7s. 6d. per lb., for 5s.; the opening of the monopoly in the latter case, making up for the retention of the high duty; and that tea at least has not fallen more than woollen cloths, on which there is no duty, (unless it be so far as now foreign wool is concerned, and on which it is only from $\frac{1}{2}$ d. to 1d. per lb.) must be accounted for from this—that in the former instance, there has been more duty imposed than is yet taken off; that is the high duty has been retained upon a lower priced article. Thus it is, that one circumstance meets or compensates as well

as modifies another. But after all, an absolute accuracy here is not of the last importance, so far as the general result of what is contained in this Branch is concerned, as any error in our estimate can only affect the amount, not the principle of our reasoning; for that a fall as well as a rise both in money and property, has taken place during the period in question, is beyond a doubt.

Having so far obtained or assumed datum, let us now reduce the alleged gain which might have been made, according to our previous statement or reasoning, to a matter of calculation or figures, which, whenever they can be at all relied on, are, on a subject like the present, to be resorted to, as that only by which statements are to be verified or rendered exact. Suppose, therefore, about the end of the year 1794, or beginning of that of 1795, when it would be seen, the two nations, France and Great Britain, had fairly set in for war, (war declared by France, 1st February 1793,) a person buys £60 worth of fixed property or goods, (of course, in the latter case, for the purpose of being sold again, or he becoming dealer,) besides deriving from his purchase all the time a good annual revenue or interest, say 5, 6, 7, 8, or even 10 per cent., by November 1813, when the news of the battle of Leipsic arrived, this property, in consequence of the rise of such property generally, or in other words, the depreciation of money, will be worth in money one-half more—that is £90. He now sells this property, and buys with the produce consols at par, of which it will bring him £150. This stock he holds, we shall say, till the present period, when consols are at 90, which will produce of money to him, or are equal to £135. If we deduct £60 from this sum, the remainder, £75, or 125 per cent., is now his apparent gain, and that it is also his real we think we can shew; although, perhaps, on the first view of our reasoning it may seem not. Thus, we have already stated the rise of prices during the war up to 1813, to be as we conceive, one-half, turning £60 into £90. Now, if after prices began to de-

cline, say in 1815, they fall up to the present period one-third, this brings them back to their former state—one-third of a fall on £90 being exactly equal to a rise of one-half on £60 ;—a difference of £30 in each case—£30 gained by the rise of property or fall of money, £30 by the fall of property or rise of money ; which comes near to, although a little under, what we have above stated. And that prices have so risen and so fallen, we have little doubt any person, on a general consideration and review of circumstances, will not hesitate to admit. In truth, we are satisfied from a general view of prices, that they have already fallen more than one-third ; which will bring us nearer to the result shewn by the funds. And we have no doubt they will fall still farther—indeed, till checked by the amount of the National Debt and the interest payable on it ;—which, if correct or well founded, must be ascribed to the great and progressive accumulation of capital, not only in this country, but in others ; improved modes of production ; the general and easy intercourse, and exchange of commodities between different countries and climates ; and, lastly, a relaxation of laws by which the industry of mankind is fettered and prohibited. Certain it is that corn, as compared with its proper criterion the price of labour, has become gradually cheaper for these four hundred years past ; and tea, the lowest price of which imported in 1735 was 12s. per lb., may now be had for at least 5s. Such are at present the prospects of mankind ;—we look forward to things being cheaper, that is to the manifold wants or demands of mankind being more abundantly supplied than ever they were.

There farther occurs here a curious circumstance well worthy of attention, of the nature of a puzzle, something like a reel in a bottle, which appears at first view impossible or to contain a contradiction—that is, we shall say that out of a disposable revenue of £12,000,000, it is possible to retrench £10,000,000 without diminishing that revenue ; or, to avoid all equivocation of language on the subject, the annual

improvement of the revenue, from the increase of population joined with the accumulation of wealth, but above all the extended consumption arising simply out of the measure itself, or which a diminution of taxation never fails to produce, may be such as to admit of the gradual remission of taxes to the extent of £10,000,000, leaving the revenue £12,000,000, or still the same. And on this subject we may be permitted farther to observe, that a government in the course of or which has commenced a progress of retrenchment, has now a great advantage or stands in an opposite position to that which it did when contracting debt—so far as that the money which it receives becomes each successive year of more and more value, or it returns to a cheaper market; whereas, in the case of contracting debt, as already stated, money became always of less, or the government returned to a dearer market. But for the same reason, the state of things to the subject or payer is reversed; as, money being now more difficult to be got, taxes may be long continued to be taken off without a corresponding or proportionate relief being sensibly felt.

Such is our statement of the gain which might have been derived from the management we have described. Even shall we suppose the conversion to have taken place a little later, viz. in 1816, after the battle of Waterloo, when certainty had taken the place of probability, it will affect our calculations but little—consols varying that year from 61 to 63.

We have entered into this statement merely to shew the alteration, or rather alterations, produced in the state of things between or within the two periods; but this was by no means confined to the stocks or to property as compared with them. About this time, indeed, a similar great advantage, not so readily seen or appreciated by the public, might have been obtained, and which occurred to many after a considerable lapse of time, and when it was in a great measure too late—that is simply the conversion into money of fixed or real property—an estate or a house sold before the current was

generally observed to set in an opposite direction with regard at least to such property. This accomplished—the object should now be safe investments in the stock of banks, chartered companies, and such like ; and let it be observed, that simply lending out money at interest is at present a speculation, and a most judicious one too—as will indeed appear from the foregoing reasoning ; that is, supposing always prices have not yet reached their lowest, which we cannot think they have done.

It may be added, that buying into chartered companies, even the funds, if we can trust to their stability at their present high price, has this advantage or convenience, that, the stock of such companies being always marketable and saleable, a person can never fail to get his money on the shortest notice, when wanted, (should he wish for a change of investment, or an advantageous purchase offer,) without the disagreeable process of *calling up* from a debtor, whose plans it may derange, and to whom it may be inconvenient, although perfectly good, to pay at the moment. In this respect, it must be observed, the funds have been of great use to the English public, acting as or serving all the purposes of a bank of deposit on the Scotch system, where the sum bears interest from the moment it is paid in ; and if it be objected, that, as the funds fluctuate, an investment cannot be made in them without the risk of loss, the natural and obvious answer is, that this is balanced by the chance of gain.

By neglecting such a measure of conversion as that above mentioned, some persons not only lost the opportunity of making great gain, (that is, as already mentioned, fixing by exchange into money, the great value raised or once existing in property by the former continued depreciation of money,) but absolutely ruined themselves. Thus, we are acquainted with a builder who built a great many houses during the war, which were a long time a most valuable property, and produced a large revenue. But considerable part of the money with which they were built was borrowed on the pro-

perty. He did not sell when prices were high, (that is turn with the tide,)—value in real property fell, till he was no longer able to pay the interest of the sum borrowed, and as a consequence we lately observed him in the Gazette;—whereas, had he sold before the depreciation of property commenced, he might, after paying his debts, have retired with a considerable reversion, or even fortune—as we have known persons in the same line, during the same period, who could scarcely write their own name, to have done, constantly building and selling—carried along without sagacity, without foresight, by the current. As one of these very candidly acknowledged, he had no merit in making his money; his only merit was in keeping it; which nevertheless cannot be allowed to be nothing.

SECTION V.

COROLLARY TO BRANCH II.

It will not fail to occur, that this Branch of our subject is entirely founded on *war*—in commencement, subsistence, or cessation. Yet although this may appear to be the case, it must not be thought to be so in reality. As already said, the value of money with reference to property, or of property with reference to money, can never remain fixed or stationary; but must, from the general causes which operate upon human affairs alone, independently of war, (or even the devices of kings, by whom the standard has been often lowered for the purpose of paying their debts or defrauding their creditors—for instances of which see the *Wealth of Nations*;) at any period and at every stage of society, be less or more in a constant state of flux or progression, towards one point or another, upwards or downwards.

We have spoken, indeed, of the termination of the depreciation of money, and that terminate it may there can be no doubt; but by the expression is only meant that a new progression has commenced from a certain point or period of an opposite nature or in an opposite direction. There are, also, comparative degrees, it will be observed, in such progressions; that is, they may be more or less rapid or extreme; and, in fact, may be so languid or slow at one time as compared with another, that prices may be then said to be fixed or stationary. But that they ever are exactly so, we hold cannot be the case; and it is a curious circumstance to remark, as already said, that although the amount of the precious metals may remain nearly the same, as we believe it does, this will not fix their value, which is always liable to be altered by every increase or diminution in the amount of commodities against which they are exchanged or exchangeable.

We have given the late war as an instance or illustration, and also as an extraordinary event of its kind, attended with extraordinary effects or consequences. But there cannot be a doubt that war generally considered is a mighty agent, and must be allowed to have a great and peculiar influence on human affairs, operating or effecting the most sudden and direct changes in their condition;—now raising prices—now, (as it ceases,) lowering them in the greatest extreme. But although war is important as affording opportunity for successful speculation, still more important is it by giving a stimulus to trade by the excitement, expenditure, and demand which it necessarily gives rise to. This period or occasion of profusion and improvidence, is always a golden opportunity, which should never be neglected by the young and active. Yet it often happens that we are not sufficiently sensible of advantages till they have passed away and cannot be recalled; and had any one during the period of unprecedented activity produced by our great contest, and the improvident manner in which that contest was conducted, ventured to foretel that high prices and great profits would have an end;

to think of any thing so contrary to or inconsistent with present circumstances and appearances—in fact reigning prosperity;—to conceive that the state of war was not a state of nature—it would have been considered no great evidence of the correctness, nay perhaps of the sanity of his understanding;—so blind are mankind, so completely absorbed by the present, and little disposed to indulge the idea of change. Yet is it in looking beyond the present, in the foresight of change and a reversal of circumstances, that all the skill and science and advantages of the principle we have endeavoured to point out—of speculation lie.

At the same time, whatever we may think of the temporary influence of war, or the advantages occasionally afforded thereby to an individual, we are far from wishing it to be understood that we conceive it equally favourable with peace to trade and the industry of mankind on a large scale, or generally speaking. If war excites, peace gives facilities and security; if war is sudden in its effects, peace is permanent and enduring; and while the one leads to scarcity and dearness, the other leads to plenty and cheapness. Peace represents the conduct of the prudent man who husbands his resources, and spends no more than he can afford, and who therefore goes steadily forward in prosperity; war, that of the prodigal who scatters his money about him, and who lives riotously for a time, benefiting many by his profusion, but whose career is short; and this applies more particularly to the modern system of providing the supplies by drawing on the resources of posterity; the device of borrowing to pay interest, peculiarly illustrative of the heedless career of recklessness, and the total indifference to consequences in those who assume the character of statesmen. That the system was calculated to last all their time, seemed to be the whole amount of the regard or concern of those in power, for the period; but here the good of an individual and the good of a community are different, for while the days of the former are few in number, the latter must be considered to live for

ever. The conduct alluded to, therefore, was selfish in the extreme.

There is, indeed, another agent besides war, which is thought to have a great influence upon the affairs of mankind, but the importance of which we deem overrated; which is noticed in the ensuing Section.

SECTION VI.

BANK OF ENGLAND—THE POWER OF, CONSIDERED.

It is conceived by some, that the Bank of England as presently constituted is a corporation which possesses an immense power;—the power at any time, by a simple turn of the lever, that is an extension or contraction of the circulation, “an action on the currency,” of affecting the relation between money and property, of raising or lowering prices, reversing the terms cheap and dear, and altering the nature of all contracts, so as to render that bargain which was a good one bad, and *vice versa*; thus standing as a sort of arbiter of fate, being master of the transactions, and holding in its hands the fortunes of individuals.

There is undoubtedly something in this; but we do not consider the power of the Bank over the circulation, or the relations between money and property, as absolute or beyond control. The celebrated Law of Laurieston, in his treatise of “Money and Trade Considered,” says—“Trade and money depend mutually on one another; when trade decays, money lessens; and when money lessens, trade decays;” that is, trade creates a demand for money, and money produces a demand for trade or its profitable employment. If, however, they stimulate each other, they also limit each other. Trade must limit the demand for

money, as money must the capability of trade ; that is, the want of each checks the other.

The truth is, trade will absorb the money which trade requires and no more. Were the Bank, therefore, to attempt any extraordinary issue of paper, the consequence would be, that its notes would return immediately upon it, or to a certain extent, what is called overtrading, bankruptcies, and revulsion. Hence, the power of the Bank of England, or it may be said, banks generally, in this respect, though great, and such as requires the utmost discretion in its exercise, is not unbounded. It has its limits, and these limits appear to be or will be found in the demands of trade ; which again refer to or have their origin in the wants, the necessities, or the calls of human nature—finally terminating in the power of purchasing *for the purpose of consumption*, existing in the community, or the capability of supplying necessities or gratifying desires. Trade, however supported or enforced by money, can go no farther than offering facilities for such an object, because trade supposes a reciprocation or exchange of equivalents, and as much given on one side as is received on the other. Capital and production on one side are therefore of no avail, unless met by a corresponding ability as well as spirit on the other. In short, the power of the Bank for good, seems to be exactly limited, strictly definite ; for evil, to extend on the one side to producing overtrading and revulsion, and, on the other, to cramping or obstructing to a certain amount the operations of trade—and no farther ; the former of which, however disastrous in their effects, are but occasional and temporary, and can never take place without equal and concurrent imprudence and blame on the part of the trading classes, although this may not be deemed a sufficient excuse for such an establishment, whose business it is to control and prevent the errors of the mercantile world. But, in fact, the failure of Law's Mississippi Scheme, by which he endeavoured to reduce his own theory to practice, a theory which consisted, as he himself says, in coining the whole

land, houses, plate, and other property in France, or creating a paper money which represented these, setting the whole capital of the country afloat as circulation, (a thing not wanted,) and which threw all France into a state of confusion, is sufficient to shew that trade, and consequently the circulation of money which trade requires, cannot be forced beyond the natural limits which we have assigned to it. Yet with the abatements made, enough of power over the affairs and fortunes of individuals, it must be admitted, still remains in the Bank of England, and other similar establishments, to call for the most anxious regulation. And the monetary system or circulation of a country, seems to us not only one of those in which the government may properly interfere, but is called upon to put on the right footing.

SECTION VII.

TO TAKE ADVANTAGE OF THE EFFECTS OF TIME.

It is necessary to remark, that there is always some difficulty in applying principles, however clear and simple in themselves. Thus, suppose a person to purchase a quantity of any commodity which afterwards falls much in price, should he, we ask, according to the principles laid down in this treatise, sell at the current or market price, or keep it in store in the expectation of its again rising to the original or a higher price? The answer must depend upon whether he is to be governed by or deals upon the principles of speculation or those of trade; for if he sells, he acts contrary to the former; if he keeps, to the latter. But there can be nothing wrong, as we have already said, for a trader occasionally to act on the principles of speculation, as it may sometimes be necessary for a speculator to adopt those of

trade. A person is to be governed by circumstances ; the state of things or his own means, sometimes adopting those of the one, sometimes those of the other. And how far they agree or are necessary to each other, how far they differ, has been before spoken of.

It is to be observed, also, that all principles are liable to exceptions, or the modification of minor principles, which often, if not understood or made allowance for, produce contradictions which seem to render vain or nullify the whole. By far the greatest error, however, to which a person is liable, is that above alluded to, and which we have endeavoured to illustrate by an example—the mistaking of one thing for another, or misapplication of principles ; and to guard him against which, as well as not accommodating rules to exceptions, precept is unavailing, and nothing remains but the natural sagacity of the individual, be it less or more. Rules are indeed one thing—the application of them another ; and the minutiae of every man's business must be committed to himself, as best understood by him or that in which no other can direct him.

The great inference, however, here to be drawn, or maxim which we wish to inculcate, is that, as in all circumstances we have it in our power, we should endeavour to take advantage of the effects of time, (which is indeed the great and general principle of speculation)—*to make time labour for us*, which it often does, rendering the ignorant and stupid rich, without wisdom, without exertion—almost in spite of themselves, and with the sole virtue of remaining as they are. And this it chiefly concerns the young to know, who have time on their side. Thus, flocks and herds may multiply in the course of years, by the operation of the ordinary laws of nature ; the value of property increase without our labour, by the labour of others ; an estate be enhanced by the value of surrounding improvements ; a house by the increase and industry of neighbouring population ;—so that a person not unfrequently, like Wolfert Webber, in

Washington Irvine's tale of *The Money Finders*, when his cabbage-garden came to be surrounded by New York, till the fresh air was excluded, and its fertility destroyed, may find himself enriched at the moment he conceives himself ruined.

This, indeed, applies chiefly to a new country, such as America—of vast extent, affording a boundless field for enterprise, into which so great a tide of immigration is constantly flowing, and where population, almost without exception or explanation, may be said to constitute wealth. It is truly the country of speculation, where labour brings a high reward, and plans, laid with ordinary prudence and persevered in with steadiness, lead to certain independence.

It is in this way that a person's fortune grows with the growth of things, and that the opulence of others becomes the means of and leads to our opulence; a maxim well understood in the country above alluded to, and constantly acted upon, as may be seen in the eagerness with which settlers endeavour to persuade new comers to sit down beside them; believing that they thereby always make an acquisition, and add so much to the value of their own stock. For it is by vicinity, nearness, congregation alone, that the labour of men is stimulated and rendered effectual; that they become rich and industrious; that things receive their value, and that multiplied wants are generated and supplied, constituting the complex condition of civilization.

A state of things similar to that above described as characteristic of America, must at one time have existed in our own country, although now in a measure gone by; but the subject will be best discussed in, as its importance requires, a Section by itself.

SECTION VIII.

LAND—THE FORMER AND PRESENT STATE OF, AS
REGARDS SPECULATION,

Land, as already said, is so far a monopoly by or through locality, and as being the instrument of raising or producing the great staple commodity of food, the first and essential, the indispensable want of man. To this extent, therefore, is it to be distinguished from other property, fixed and otherwise ; and whether the depreciation which it certainly and evidently sustained at the peace has already terminated or not, there may be different opinions ; but that terminate it must and that soon, is certain, and thus too while we may conceive the depreciation of houses and goods to go on.

Undoubtedly there must have been a period when this country was a new country like America ; when speculation in land would have been very advantageous, and by which individuals, could they have foreseen what was to happen, might have tripled their fortunes, if not to themselves at least to the benefit of their posterity. And this depending upon causes altogether different from war or the depreciation of money and the rise in the value of property consequent thereon. That such causes still exist in a less degree, and although for a time overborne by the more direct and rapidly acting cause already alluded to, may be taken for granted. It is always to be remembered, indeed, that the latter, however powerful, is, so far as referable to or deriving existence from the late war, but temporary in its nature, and not to be compared with those more general and comprehensive on which the rise in the value of landed property is founded, and which must continue to have their effect when pecuniary influences have lost their force, in a measure set-

tled down, or the current has set in an opposite direction. The major proposition is here therefore to be understood as including the minor, in a manner similar to what took place in Captain Parry's expedition to the North Pole, that while he was advancing on the ice in a Northerly direction, the ice itself was moving more swiftly Southward ; or as may be conceived of a person travelling on the surface of the earth in a direction contrary to either its diurnal or annual motion while it is performing these revolutions. And that on a large scale land must still be a good subject of speculation, or continue to have a progressive value, we think there cannot be a doubt ; the country, it is to be hoped, being still new to improvement, wealth, and prosperity ; incipient in its progress, but opening up its prospects in this respect, and so far land is an exception, that is, that contrary to the nature of other things, it is not its *quantum* but its value which is augmenting.

The date of the former rude state of the land in the northern part of the island, is indeed not very remote. The proof of its existence is also a matter far from hypothetical, but which is borne out by facts established beyond a doubt, and which therefore we shall proceed to lay before the reader. Thus, in the Rentals of the forfeited estates in Scotland taken by the surveyor and his deputy upon the oaths of the several tenants, possessors, &c., by order of the Commissioners of Inquiry, in the years 1716 and 1717, the total rental of one of these is stated at £3437, 3s.

The rental of this estate, still in possession of a much respected descendant of the former proprietor, is now said to be about £40,000, and it is low let. It is thought if it were wholly out of lease, it would let for at least £70,000.

In the same document, the rental of another of these, now possessed by a descendant of the also former proprietor, is stated at £3271, 10s. This estate is said at present to rent about £20,000. The rentals of the other estates mentioned in the same document, are low in the same proportion.

Now, the rise in the value of these estates, cannot be ascribed to the rise in the value of produce or the changed value of money; for the whole of the corn rent, as appears from the same document, in both cases or for both of the above estates, payable by the tenants, was converted and paid for at the rate of 6s. 11d. per boll, (about four-fifths of a quarter,) which is but little less than half the present prices, (wheat not being here understood,) and it is well-known, as stated by Dr Adam Smith, that all such converted prices are below the actual or market price; whereas the rentals referred to have been multiplied by at least eight; therefore increased by four times, or a net multiplicand of four, independently of any rise in the price of grain. And in truth it can easily be shewn, that, comparing the value of wheat with the wages of labour, the price of grain has continued for centuries, as was to be expected, essentially or really and truly to fall. Neither can it be traced in the cases referred to, to any extraordinary advantages derived from the vicinity of towns or their population. This extraordinary rise must, therefore, be looked for in other causes; and these causes we apprehend are not far to seek.

The first and most prominent are the superior cultivation of the surface;—the drainage, the clearing of stones, and improved ploughing which the land has received; the application of lime and greater quantities of manure; but above all the system of rotation of cropping, and the introduction of new species of green crops, viz. sown grass, turnips, and potatoes. Add to these, superior implements of husbandry, better horses, and improved breeds of cattle;—all these have had the effect of drawing more from the same surface, or making it produce more. Nor is this the whole—the arable surface has, by the industry of tenants, been, during the same period, very much increased, and there cannot be a doubt that there is also a greater population existing and employed upon the land now than formerly, and who, while they support themselves and improve their own condition, also contribute,

as they have already added so much, to the wealth of the landowner, rendering it co-equal with their own numbers and wealth.

The great change and rapid improvement which have already taken place in the husbandry of Scotland, is by Dr Adam Smith, (See *Wealth of Nations*, vol. i. b. i. chap. xi.,) traced directly to the union with England; by the demand afforded in the latter country for Scotch cattle, which enabled the Scotch farmers to rear more, and in consequence supplied them with a greater quantity of manure for their land; thereby enabling them to cultivate better what they already cultivated, and to add to its extent, in short totally changing the system of Scottish husbandry. We have no doubt that this cause in particular contributed very much to produce the effect ascribed to it; although the improvement of agriculture in Scotland appears but a part of that which the whole country about the period alluded to underwent, and which was more sensible or apparent, as it certainly was more rapid, in the country last mentioned than in England, simply from the circumstance of its being very far behind.

The causes enumerated are, however, circumscribed by, derive force from, or have effect given to them chiefly by another more than once already mentioned; that is, that land is and must always be to an extent a monopoly, inasmuch as the surface, or even cultivated surface, cannot be increased as population increases, which must not only give it a great but perpetually increasing advantage; and this even a free importation of produce could but in a moderate degree counteract, corn being a bulky article, and still more inconvenient cattle, and the transportation of which is always attended with great expense. This is to be considered the great operating principle here, and to which the others are merely subordinate or accessory.

Of all these improvements and advantages, the sleeping landlord as well as the active derived the benefit; while, on the contrary, the moneyed capitalist was daily suffering in-

jury from the same causes which produced them, their tendency being, by increasing such capital generally, to reduce its value—both principal and revenue—as the fall of interest distinctly shews. It is true, the date of the union betwixt England and Scotland is 22d July 1706, and that of the rentals we have given 1717; but although the change we have mentioned might have previously been begun, it cannot be expected to have made much progress in the preceding eleven years.

Indeed, within a much shorter period than that referred to, very great advantages have been derived from the purchase of land. Thus, we know a person who purchased a small estate about forty years ago for £500, which now, with no other advantage than that a turnpike road has been made along it, rents £500 per annum. And such is by no means a solitary case, but instances of a similar nature might be multiplied almost without end. Such is the *progressive* nature of the value of land. In fact, buying land in this country at the present moment resembles exactly the act of planting a tree, from which no immediate benefit is to be derived, but which once done the individual planted requires no farther care from us, grows while we sleep as well as while we wake; and although it is certain to be long before it reaches maturity, the value is as certain ultimately to come to be very great.

A separate or distinct, or at least peculiar, case of advantage appertaining to or arising out of land, will be found in the succeeding Section.

SECTION IX.

THE ADVANTAGE TO LANDHOLDERS OF FEUING, OR
ENCOURAGING TOWN OR VILLAGE BUILDING.

It may be, as already said, that in the present day no very great sudden or direct advantage is to be looked for from a speculation in landed property; that is, which a person could expect to reap within a comparatively short period, say one generation. There is, however, one exception to this—that which we have already noticed, where land is situated in the vicinity of a town, and ultimately in the progress of extension comes to be embraced by it. But there is yet another view of the case more applicable or available to the landholder, as it is more general—that is, the creating of a population upon his estate where it does not already exist, but which affords capabilities or facilities for the creation of such population in the shape of towns or villages—such capabilities or facilities indeed being always understood;—and which is but rendering the principle we have mentioned in the preceding Section more stringent, or following it out to a greater extent. Of this species of improvement, we have no more distinguished instance than that which was the work of the late Mr Barclay of Ury, one of the earliest improvers and most eminent agriculturists which Scotland has produced, and father of the present Captain Barclay of Ury, so celebrated as a pedestrian and sporting character; and which will suffice here as an illustration.

About the year 1759, the late Mr Barclay purchased the estate of Arduthie, in the close vicinity of the small town of Stonehaven, containing then a population of about 800, for about £1500. The north road betwixt Edinburgh and

Aberdeen, which is also the only north road on the east coast, (the country being confined here by a branch of the Grampians, which extends towards the sea,) passed and still passes through this estate; and the small town of Stonehaven is a sea-port. Mr Barclay perceived the advantages here afforded him; and about fifty years ago commenced what in Scotland is called *feuing*, that is letting off his land in small pieces in perpetuity, for an annual ground-rent for the purpose of building upon, and proceeded to lay off a regular new town. The first patches he let off were at a very low rate; but this created a demand for more, and the next accordingly brought a higher rate; and such has been his success, that the population of Mr Barclay's part of this town, where there was formerly scarcely a house, that is, nothing more than was required for the cultivators of the soil, now amounts to upwards of 2000, daily increasing. The consequence is, that the rental of the estate, the original purchase price of which was only £1500, now amounts to £1000; which, allowing $3\frac{1}{2}$ per cent. for money on an investment in land, gives a total of £28,571, leaving a clear gain of £27,071, upwards of 1800 per cent. on the original purchase price, independently of what the great surplussage of accumulated rents above ordinary interest would amount to, for the length of time Mr Barclay and his successor have been in the receipt of them. But this is not all. He has added much to the value of his neighbouring estate of Ury, as well as to that of those of the other proprietors around—by creating a population in their vicinity, with the prospect of a still farther increase.

What is here stated will be at once understood by the English reader, by a reference to the practice of granting building leases in England, though not exactly the same; and from which some persons, such as the Duke of Bedford, the Marquis of Westminster, Lord Somers, and others, derive such enormous incomes from the capital and the villages in its vicinity.

Notwithstanding these palpable and apparent advantages, a strong prejudice exists among the landed proprietors of Scotland against feuing, considering it as a selling of their property. But if a person has an opportunity of selling a thing at a rate far beyond its value, or which he could by any other means obtain for it, we apprehend he should not hesitate; and in this case, if he has any particular affection or passion for land, he can always manage to buy with his gain or reinvest in another quarter. The sale, however, is here only partial and conditional, as, besides the annual ground-rent, a casualty or fine on the entry to possession of each succeeding proprietor or tenant in perpetuity remains to the landlord, which gives him always a sufficient hold over or interest in the soil.

A better founded objection, in truth, is the annoyance of a population in the neighbourhood of a gentleman's residence; the familiarities, the trespasses, the depredations, the thievings constantly in such circumstances taking place; a great drawback or abatement, it must be confessed, but one which he must submit to if desirous of simply a pecuniary gain.

A great bargain, as a particular case, it is clear, must always be allowed to form an exception. Still we not only believe the improvement of the soil to be progressive, but, from what we have observed, are persuaded, notwithstanding the outcry of agricultural distress with which our ears were for a length of time continually dinned, that more capital has been for some years past laid out in reclaiming waste land than at any similar period during the late war; a fact which we ascribe entirely to the abundance of capital disengaged by the peace, and consequent difficulty of finding a proper outlet or profitable employment for it.

We may add, that good roads, but above all railroads, the prospective benefits of which to the country, in every shape and of every kind, are altogether incalculable, contribute very much to the same effect, and by which a person

may in a measure alter the locality of his estate ; if he cannot bring it to great towns, he may bring great towns to it ; and which, therefore, it ought always to be an especial object with landed proprietors to promote.

SECTION X.

FUTURITY.

Lastly falls to be remarked, that we can see but a little way into futurity ; and must therefore not be sanguine or over-sanguine of the success of any speculation or scheme ; futurity being always attended by so many contingencies never taken into account—so many things taking place which are never calculated on, that the best-laid schemes are liable to failure. Even supposing we were to foresee all the causes which will operate in a given case, (which we can never do,) how shall we know the amount of any particular cause or that which will predominate ?

The source of this blindness is of a twofold nature—first, the uncertain operation of natural causes ; secondly, our ignorance of the schemes of man ; for although we may know what we shall do ourselves, how shall we know what other men will do ? The irregularities of nature are indeed great ; all who sow do not reap in proportion to their expense or toil, numberless causes intervening to disappoint between the anticipated and the actual return ; the increase of flocks or herds is often cut short by disease or accident ; the crop which has been reared with anxious expectations may perish by the effects of a single night ; the well-planned voyage be frustrated by the sudden tempest, which not only disappoints but destroys. Nay, there are minute causes constantly at work against us, which, although small in themselves or in

the amount of each, are formidable in the aggregate; blight and canker defeat our hopes and render vain our pains, the rot consumes and vermin devour our carefully laid up store. But what are all these to the caprices, the vagaries of the human mind, so sudden, so irregular, so extravagant!—which are beyond the power of anticipation, and defy calculation;—for as nature is said to transcend art, so does imagination transcend, out-strip nature, ever apt to go beyond the ordinary state, to outrun the sober progress of things, and producing its natural fruit in action. The same man who is honest, prudent, economical to-day, may enter upon a reverse course to-morrow; or, if he is not ruined directly by his own misconduct, he may indirectly by that of another, to whom he has trusted. Should we commence a promising undertaking, if a person does not counteract it by his wisdom he may by his folly—if not to his own gain, to our loss. The last of these evils, therefore, those which arise out of the conduct of our fellow-men, the cross purposes to which human passions, fancies, lead, the innumerable, the varied, the unforeseen, and unforeseeable acts which they produce, are by far the most important; for society being made up of, or founded on combination, and the prospects of one man closely connected with or dependent on those of another, it often happens that what one man does another undoes, rendering prudence abortive, precaution vain.

The conclusion therefore is—an abatement of our calculations; a wise distrust of ourselves and of our undertakings; and moderation in our pursuits and expectations.





APPENDIX.

No. I.—SYNOPSIS OF TABLE of the Lowest and Highest Prices of Wheat per quarter at Mark Lane, for each of the following Years, with the Month in which each falls, and the difference between the same on each Season or Crop.

Year.	Lowest.	Highest.	Difference for gain on season.	Loss.	Year.	Lowest.	Highest.	Difference for gain on season.	Loss.
1820 {	Dec. 53/11	Aug.	...		1831 {	Dec. 59/6	Feb. 75/1	19/8	
1821 {	Dec. 49/2	Oct. 70/7	16/8		1832 {	Oct. 51/3	Aug. 63/7	4/1	
1822 {	Nov. 38/1	Feb. 50/7	1/5		1833 {	Dec. 49/5	Aug. 56/5	5/2	
1823 {	Jan. 39/9	June 62/5	24/4		1834 {	Nov. 40/8	Aug. 49/6	/1	
1824 {	Jan. 53/2	Feb. 67/7	27/10		1835 {	Nov. 36/5	Aug. 44/	3/4	
1825 {	Dec. 63/4	May 69/8	16/6		1836 {	Jan. 36/	Dec. 61/9	25/4	
1826 {	Nov. 54/1	Jan. 62/9	...	/7	1837 {	Nov. 51/	Aug. 60/1	24/1	
1827 {	Dec. 52/	Aug. 61/11	7/10		1838 {	Jan. 52/4	Dec. 78/4	27/4	
1828 {	Jan. 50/9	Nov. 76/7	24/7		1839 {	Oct. 65/6	Jan. 81/4	29/	
1829 {	Nov. 55/4	Jan. 76/6	25/9		1840 {	Dec.	Aug. 72/10	7/4	
1830 {	Jan. 55/5	Aug. 74/11	19/7						

No II.—TABLE of the Average Price of English, Irish, and Foreign Wheat imported into the Port of London, for each of the Four Weeks of each Month, for the following Years, viz. :—

Year.	January.				February.				March.				April.				May.				June.			
	66/2	63/3	63/2	63/1	63/8	63/6	63/8	64/4	65/4	66/8	68/3	69/8	71/1	70/4	70/3	69/8	69/1	70/2	70/8	70/10	71/2	71/	70/8	71/
1820																								
1821	54/	54/7	54/3	54/3	54/8	54/5	54/7	53/5	53/4	53/5	54/11	54/3	54/9	54/8	54/1	53/7	52/5	52/	51/8	51/5	51/9	52/7	52/2	51/10
1822	46/2	45/11	43/11	49/3	50/7	49/9	48/8	49/1	47/7	46/11	46/10	45/11	45/1	45/8	44/2	44/2	44/7	45/7	46/8	47/	46/4	45/11	44/7	43/10
1823	39/9	39/11	40/11	40/3	40/3	40/	41/4	40/11	40/11	41/7	43/2	47/2	50/4	50/9	50/3	50/4	51/4	54/7	57/8	57/9	59/10	62/1	62/5	61/
1824	53/10	53/2	57/4	58/7	60/7	62/1	64/7	67/7	66/1	65/11	67/1	68/1	68/9	69/1	68/7	67/2	66/6	67/	68/6	69/8	67/10	67/8	68/4	68/8
1825	64/9	63/6	65/3	67/3	66/3	66/7	65/1	66/1	66/	65/11	67/1	68/1	55/1	56/5	58/6	59/4	60/9	60/5	59/10	57/4	57/4	57/3	57/5	56/7
1826	62/9	61/5	59/5	60/3	61/4	61/1	60/	58/8	57/6	56/5	55/11	54/11	56/10	56/1	56/4	58/	58/	56/1	56/3	57/6	58/	58/4	57/11	58/2
1827	54/4	54/	53/10	53/2	53/	53/10	53/6	53/4	53/8	54/	54/10	56/9	56/10	54/8	56/	57/5	57/8	58/	57/2	57/1	56/8	56/4	56/4	56/9
1828	50/9	51/8	51/9	51/3	51/8	52/	52/1	52/2	52/2	52/4	52/6	53/	54/2	54/8	56/	57/5	57/8	58/	57/2	57/1	70/7	71/5	71/3	70/7
1829	76/6	75/11	75/2	74/10	74/7	74/7	74/6	73/11	72/11	68/11	66/6	67/1	69/4	70/3	70/3	70/7	69/8	69/	69/2	69/9	65/10	65/11	65/8	65/8
1830	56/5	55/5	56/1	56/3	56/6	56/6	57/2	58/4	59/1	59/11	60/8	61/2	62/9	65/1	66/3	66/1	66/5	65/11	66/6	65/4	65/5	66/4	65/8	67/9
1831	67/7	68/1	68/3	69/8	71/8	73/3	74/8	75/1	73/10	72/4	71/9	71/8	72/2	72/4	71/7	70/9	70/10	70/5	68/11	68/4	61/9	61/9	62/4	62/4
1832	59/3	59/2	59/1	59/5	60/	59/11	59/9	59/2	58/10	58/2	58/8	59/5	59/5	59/9	59/6	60/	61/8	62/1	62/1	61/11	53/6	53/7	52/10	52/9
1833	53/2	52/6	52/7	52/8	53/4	53/3	53/	52/3	52/1	52/2	52/2	52/5	53/4	53/10	53/8	53/5	53/	53/5	53/8	54/1	46/8	46/10	47/10	48/10
1834	49/2	49/2	49/2	49/1	48/10	48/7	48/11	48/9	48/8	48/4	48/	47/8	47/4	47/3	47/2	47/6	48/3	48/4	48/7	47/11	39/10	39/8	40/1	40/4
1835	40/6	40/1	40/5	40/7	41/3	41/7	41/5	40/10	40/4	40/4	39/10	39/11	40/	39/9	39/3	38/10	38/7	38/6	38/9	39/8	49/10	49/5	51/	51/1
1836	36/	36/	36/6	37/	37/	39/3	39/7	39/7	42/6	44/7	45/	44/2	44/7	46/5	47/7	48/8	48/3	48/3	47/11	49/3	53/4	56/2	56/4	56/5
1837	59/2	59/	59/	59/6	58/9	57/5	56/5	56/2	55/9	55/11	56/7	56/9	56/8	56/2	55/11	55/5	55/6	55/9	55/10	60/10	62/4	63/1	64/3	64/11
1838	53/2	52/9	52/4	52/11	54/10	55/4	55/4	55/3	55/2	55/3	55/4	56/3	56/10	57/9	58/8	58/10	59/	60/	60/10	62/2	62/4	63/1	64/3	64/11
1839	78/2	80/2	81/4	81/4	79/3	77/	74/1	71/6	71/10	73/8	74/1	74/1	68/11	68/11	68/3	70/4	73/7	71/	70/6	71/2	70/5	69/7	68/2	68/1
1840	66/5	68/1	65/10	68/	65/2	64/11	65/3	65/11	66/4	66/11	68/2	69/3	69/1	68/7	68/11	69/6	68/5	68/1	68/7	68/7	67/10	67/1	67/7	67/4

TABLE—continued.

Year.	July.				August.				September.				October.				November.				December.																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																							
	70.9	70.8	70.6	70.5	72.3	73.9	73.5	72.9	72.2	71.	69.3	65.10	63.6	61.1	58.6	57.2	57.6	58.2	57.11	56.4	55.6	55.	53.11	51.11	51.2	49.2	38.8	50.8	65.11	64.6	56.6	55.5	52.5	53.7	52.	52.1	74.4	76.7	74.3	57.1	58.1	62.5	62.4	53.3	50.11	50.2	49.8	49.5	54.9	54.7	41.11	41.1	40.11	36.9	36.8	36.6	60.6	53.6	78.4	66.8	58.10																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																															
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No. III.—Annual Average Prices of Wheat per quarter, from 1792 to 1826 inclusive, taken from Official Documents.
See Supplement to London Price Current for 1828.

	<i>sh.</i>	<i>d.</i>		<i>sh.</i>	<i>d.</i>
1792	42	11	1810	106	2
1793	48	11	1811	94	6
1794	51	8	1812	125	5
1795	74	2	1813	106	6
1796	77	2	1814	72	1
1797	53	1	1815	63	8
1798	50	3	1816	76	2
1799	67	6	1817	94	0
1800	113	7	1818	83	8
1801	118	3	1819	72	3
1802	67	5	1820	65	10
1803	56	6	1821	54	5
1804	60	1	1822	43	3
1805	87	10	1823	57	9
1806	79	0	1824	62	0
1807	73	3	1825	66	6
1808	79	0	1826	56	11
1809	95	7			

No. IV.—TABLE of Prices of Greenland Whale-Oil, per Tun of 252 Imperial Gallons, (without casks,) for each Month of the following Years. From the London Price Current.

Years.	January.	February.	March.	April.	May.	June.	July.	August.	Sept.	October.	November.	December.
1821	£25 .	£22 .	£23 10/	£23 .	£22 10/	£22 10/	£22 10/	£23 .	£22 .	£24 .	£21 .	£20 .
1822	19 .	20 10/	23	21 10/	19 10/	19 10/	19 .	21	21	28 .	29 .	27 .
1823	27 to 26	24 to 25	24	24 .	21 .	20	22 10/	23	23	18 to 19	18 to 19	18 10/
1824	18 10/	18 10/	18 10/	19 .	19 .	20	21 10/	new	new	new	25 .	24 .
1825	25 10/	29 .	30	28 .	27 .	25	24 .	23	23	23 .	30 .	33 10/
1826	31 .	37 .	35	32 .	31 .	28	29 .	24	28 10/	30 .	30 .	34 .
1827	34 .	30 .	29	29 .	29 .	29	28 .	29	31	36 .	21 .	24 .
1828	23 .	23 10/	25	24 10/	23 10/	23 10/	24 .	28	28	25 .	26 .	26 .
1829	26 .	26 .	26	26 .	26 .	26	25 10/	27	28	29 .	28 10/	28 10/
1830	29 .	29 .	29	30 .	32 .	32	31 .	31	None	None	55 .	55 .
1831	57 to 58	None	.....	.....	.....	.....	.....	.....	.....	.....	41 to 42	39 .
1832	34 10/	33 .	32	31 .	30 10/	30	30 .	29 5/	30	24 10/	23 10/	23 10/
1833	24 10/	24 10/	24	23 10/	23 15/	23 5/	26 .	26 10/	27 15/	22 10/	21 10/	21 10/
1834	{ 21 10/ to 23	22 to 23	22 10/	22 to 23	22 to 23	23	23 to 23 10/	23	24	23 .	25 .	25 .
1835	25 .	26 10/	26 10/	26 10/	26 .	26	25 10/	25 10/	25 10/	{ 26 10/ to 27	42 .	40 to 41
1836	40 .	37 .	37	41 .	42 .	None	.....	.....	.....	.....	.....	.....
1837	.....	.....	.....	.....	.....	.....	.....	.....	42	42 .	.....	.....
1838	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1839	32 10/	32 10/	32	32 .	32 .	32	32 .	.....	.....	.....	.....	.....
1840	.....	.....	.....	.....	.....	.....	.....	.....	30	30 .	30 .	.....

No. V.—TABLE of the extreme Prices of five different Species of Cotton, for the Years under mentioned. Made up from the London Price Current.

Years.	PERNAMBUCOS.		BENGALS.		ORLEANS.		BOWDENS.		SURATS.	
	Lowest.	Highest.	Lowest.	Highest.	Lowest.	Highest.	Lowest.	Highest.	Lowest.	Highest.
1821	$d.$ 11½—13½	$d.$ 13¼—14¼	$d.$ 5—6¾	$d.$ 5½—7½	$d.$ 9	$d.$ 10—12	$d.$ 8—10	$d.$ 9½—11	$d.$ 5½—7½	$d.$ 6½—8
1822	10—11	13—13¼	4¾—5¾	5¾—6¾	8—10	9½—12¾	7—9	9½—10¾	5½—6½	6½—7½
1823	10—11	12—13	5—5¾	6—7	8—10	9—10¾	7—8½	9—11	5½—6½	6½—8
1824	10½—11½	11¾—13	4½—6	5½—7	8—10½	9—10¼	7—8½	9—11	5—6½	6—8
1825	12—13½	21—22½	5½—6½	9¼—11	9—12	17—20	6½—10	15½—18½	5¾—7½	10¼—13½
1826	10—	12¼—13	4¾—5½	5½—6½	7—9	9—11	6—8	6½—8½	4½—5½	5½—6¾
1827	8¾—9	10—10½	3¾—4¾	4¾—5½	6—8	7—9	5½—6¾	6½—7½	3½—5½	4½—5½
1828	7—8	8¾—9	3¾—4¾	3¾—5	6—8	6—8	5—6¾	5½—6¾	3½—5½	3¾—5½
1829	6½—7¾	7—8	3—4½	3¾—5	5½—7½	6—8	4¾—6¾	5½—6¾	3—4¾	3¾—5½
1830	7½—7¾	8¼—9	3½—4½	4½—5¼	5¾—7½	6—8	5—6¾	5½—6¾	3½—4¾	3¾—5½
1831	7—7¾	8¼—9	4—4¾	4¾—5	7½—8	6¾—8	5½—7	6—7	3½—4¾	3¾—5½
1832	7—8	9¼—9¾	4—4¾	4¾—5¼	5—7	6½—8	5—6¾	6—7	3½—4¾	3¾—5½
1833	9¼—9¾	12—13	4½—5¼	7—7½	6½—8	9—12	6½—7	9—11	4½—5½	6—8
1834	9—11	12½—14¼	5½—6½	7¼—8½	7½—9½	9—10½	7—9½	8½—10½	4½—7	6½—8½
1835	11¼—13	15—18½	5¾—7¾	7¾—8½	7¾—13	10½—12¾	8½—10	10½—12	5¾—8½	7½—9½
1836	11¼—13	14—15	4—6	5¾—7	7¾—12	10½—12¼	8—10½	10½—11½	4—8	6½—8½
1837	8—11	12½—13½	3—4½	4—5¾	6—8½	10—12	4¾—7½	9—12½	3½—5¾	4—7½
1838	8½—9	9¼—10	4—4¾	4—5¼	6½—7	7—8¼	5½—7¼	6½—7¾	3¾—5¼	4½—6½
1839	8¾—9¾	9¼—10½	4½—5½	5½—6¾	6—8½	8—10	6—8	7½—9	4½—5¾	5½—6¾
1840	8¾—9¾	9—10	3¼—5	5—5¾	4¾—7¾	6—8½	5—6¾	6—8	3½—5	4½—6

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